

2.17B

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company
Fruit First Limited

Company number
03956443

In the High Court of Justice, Chancery Division, Companies Court
(full name of court)

Court case number
2311/2008

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

We (a)
S J Parker
Tenon Recovery
Sherlock House,
73 Baker Street,
London,
W1U 6RD

T J Binyon
Tenon Recovery
Sherlock House,
73 Baker Street,
London,
W1U 6RD

*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) 27 May 2008

Signed


Joint Administrator(s)

Dated

27 May 2008

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 published

Tim Thurbin
Sherlock House,
73 Baker Street,
London,
W1U 6RD

+44 (0) 207 935 5566
DX Exchange

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



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Fruit First Limited – In Administration

Statement of Joint Administrators' proposals Pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986

In accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986 ("the Act") and The Insolvency Rules 1986 ("the Rules"), S J Parker and T J Binyon the Joint Administrators ("Administrators") of Fruit First Limited ("the Company"), make the following proposals for achieving the purpose of the Administration

These proposals and the attached report to creditors together set out the information required by and discharge the Administrators' duty pursuant to Paragraph 49 of Schedule B1 of the Act and Rule 2.33 of the Rules

Proposals

The Administrators propose that

- (a) they continue to manage the business, affairs and property of the Company in order to achieve the purpose of the Administration such that
 - (i) they dispose of the Company's ownership of such assets at such time(s) on such terms as they consider expedient,
 - (ii) they investigate and, if appropriate, pursue any claims that the Company may have against any person, firm or company whether in contract or otherwise, including any officer or former officer of the Company or any person, firm or company which supplies or has supplied goods or services to the Company
 - (ii) in addition, they do all such things and generally exercise all their powers as Administrators as they in their discretion consider desirable or expedient in order to achieve the purpose of the Administration or protect and preserve the assets of the Company or maximise the realisations of those assets, or of any purpose incidental to these proposals, and
- (b) the Administration shall continue (subject to the statutory provisions relating to automatic termination) until the realisable assets of the Company have been realised and all liabilities incurred during the Administration have been discharged or until such a time as deemed appropriate by the Administrators. At this stage the Company shall be dissolved or placed into liquidation as outlined above. If necessary, the Joint Administrators propose to seek an extension of their appointment as Administrators from the creditors and/or the Court pursuant to paragraph 76 of Schedule B1 to the Act
- (c) In the event that the Administrators are of the view that it is appropriate for the Company to move from Administration into Liquidation, whether compulsory or voluntary, the Joint Administrators be authorised to take steps to place the Company into whichever liquidation process they, at their discretion, deem appropriate. In either circumstance, it is proposed that the Joint Administrators would take the appointment as joint liquidators of the Company and that they will act jointly and severally in their duties. In relation to moving into creditors' voluntary liquidation, and in accordance with paragraph 83(7) and Rule 2.117 (3), creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of the proposals and before those proposals are approved
- (d) If the Administrators consider that there will be no distribution to creditors who are neither secured nor preferential, and if they also consider that an exit from the Administration into compulsory liquidation is not appropriate, then the Administrators be authorised to take the

necessary procedural steps to bring about the end of the Administration and move the Company into dissolution pursuant to paragraph 84 of Schedule B1 to the Act

- (e) Upon the Company either proceeding into Liquidation or dissolution as set out above, the Joint Administrators discharge from liability, pursuant to paragraph 98 of Schedule B1 shall take effect 14 days following either the Company entering into liquidation or filing the notice of moving from Administration to dissolution
- (f) They be at liberty to incur and pay such costs and expenses, including professional fees, as considered to be incidental to the achievement of the purpose of the Administration or for the purposes set out herein or to the Joint Administrators' statutory duties
- (g) The Administrators propose to be remunerated by reference to time properly spent both for their services as Administrators and also for their staff in attending to the matters arising in the Administration of the Company, charged at the charge out rates prevailing at the time the work is undertaken. The Administrators' remuneration will be agreed by the Creditors' Committee or in the event that no Committee is formed by creditors at the first meeting of creditors, by way of resolution for the acceptance of these proposals
- (h) Tenon's costs and expenses relating to the appointment of Administrators as would fall within the definition of Rule 2.67(1)(c) be treated as an expense of the Administration (albeit incurred prior to the date of appointment) and calculated by reference to the charge out rates prevailing at the time the work is undertaken
- (i) They be at liberty to recharge disbursements as detailed in the circulated Creditors guide to Administrators' fees
- (j) They be at liberty to pay costs and remuneration in relation to proposals (g), (h) and (i) above when funds become available
- (k) They consult with the Creditors' Committee, if formed, at appropriate intervals concerning the conduct of the Administration and the implementation and development of these proposals and where they consider it expedient obtain the sanction of that Committee on behalf of the creditors of the Company (and without further reference to them) to any proposed action on the part of the Administrators



S J Parker
Joint Administrator

27 May 2008

Tenon recovery

TO ALL KNOWN CREDITORS AND MEMBERS

Our ref 3030835/106
Your ref 2311/2008
Date 27 May 2008
Email tim.thurbin@tenongroup.com
Tel +44 (0) 207 935 5566

Dear Sirs

Fruit First Limited ("FFL" or "the Company") – In Administration

This report to creditors and the proposals enclosed, together set out the information required by and to discharge the Joint Administrators' duty pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986 ("the Act") and Rule 2.33(1) and (2) of the Insolvency Rules 1986 ("the Rules")

1. Statutory Details

Attached as **Appendix 1** are the statutory details of the Company and information regarding the appointment of Administrators

2. Circumstances leading to the appointment of Joint Administrators

The Company was incorporated on 27 March 2000 as Firstmats Limited. The Company subsequently changed its name to Fruit First Limited on 27 April 2000.

The Company was engaged in the operation of fruit grading, packing and storage. FFL acted as the link between the fruit growers and the retailers. The growers brought their fruit to the Company to weigh and grade. It was then sold onto the eventual customer. FFL did not purchase the fruit and charged growers according to services provided. The fruit was graded according to the statutory regulations.

FFL was initially a small company as defined by the Companies Act 1985. As such, it only filed abbreviated accounts until 31 March 2005.

In its first year of trading to 31 March 2001, the Company reported a small after tax profit of £41,632. In the subsequent year of trading to 31 March 2002, the Company made an after tax profit of £82,406.

In the following periods to 31 March 2003, 31 March 2004 and 31 March 2005, the Company reported after tax profits of £102,401, £43,699 and £51,921.

Sherlock House, 73 Baker Street, London, W1U 6RD
Tel +44 (0) 207 935 5566 Fax +44 (0) 207 935 3512
Email bakerstreet@tenongroup.com
www.tenongroup.com

Tenon Recovery is a trading name of Tenon Limited
Registered Office 66 Chiltern Street, London, W1U 4GB Registered no 04066924 England
A member of Tenon Group PLC
Directors and staff acting as Administrative Receivers and Administrators act as agents of the company over which they are appointed and contract without personal liability

In the following period to 31 March 2006, the Company registered for a full audit FFL's audited accounts to 31 March 2006 indicate that an after tax profit of £150,405 was recorded No accounts have been filed since that date

In the following year, the Company sought to expand its packing and grading operations and acquired Gaskain Packing Services Limited for £1.5m in April 2007 The aim was for the Company to become the largest apple and pear storage and packing business in Europe

FFL also sought outside investment in order to finance the purchase of state of the art Greefa grading and packing machinery FFL's directors believed that the new equipment would allow FFL to grade and pack fruits from the site in Western Link, Faversham as opposed to having to outsource this work It was hoped that this would lead to cost savings and therefore increase the Company's profitability

The purchase of the assets demanded significant outside investment and c£7m was invested from April 2007 onwards in the form of unsecured loans Barclays Bank PLC financed £3m of plant and machinery in September 2007, by way of an asset finance agreement The finance was secured by a chattel mortgage over the plant and machinery

Unfortunately, the machinery was not in full operation by September 2007, which was the end of the English growing season Accordingly, the Company lost significant potential revenues from the growers, through an inability to operate efficiently

In early 2008 it became clear that FFL was unable to generate the level of income required to meet its overhead expenditure and also meet the loan repayments Accordingly, on 7 March 2008, the Company's largest creditor, Worldwide Fruit Limited ("**WWF**") presented a winding up petition against the Company in relation to the non payment of its loan instalments (Please refer to the estimated outcome statement at **Appendix 2** for details of WWF's claim)

On 14 March 2008, the Company ceased to trade All of the Company's employees were made redundant by the Company's Directors, as there were no funds available to pay the staff's wages and continue trading The Company's Board had passed a resolution that the Company be wound up and meetings of members and creditors were to be called for 8 April 2008

WWF subsequently applied to the High Court to place the Company into administration, on the basis that this should provide an opportunity for enhanced realisations

On 4 April 2008, S J Parker and T J Binyon of Tenon Recovery were therefore appointed as Joint Administrators pursuant to Paragraph 12(1)(b) of Schedule B1 of the Act The appointment provided that any act required or authorised under any enactment to be done by an Administrators may be done by either or both of the Administrators acting jointly or alone

3. Objectives of administration and strategy for achievement by the Joint Administrators

The objective of the Administration process is to -

- (a) rescue the company as a going concern, or
- (b) achieve 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) realise property in order to make a distribution to one or more secured or preferential creditors

The first objective for the Administration could not be met. The Company had ceased to trade prior to the appointment and no party was willing to fund resuscitate the going concern status.

I am yet to conclude a sale of the Company's unencumbered assets, although I am at an advanced stage in my negotiations with the interested party. I anticipate that total realisations will be greater than in a winding up and therefore the administration strategy is to achieve the second objective.

4. Actions by the Joint Administrators following appointment

Prior to the commencement of the Administration, the Company employed 200 people.

The Joint Administrators considered the merits of attempting to trade. It was concluded that trading could not be restored as there were no funds available to support trading and no existing workforce to undertake operations.

Therefore following the appointment, the Joint Administrators sought to dispose of the Company's assets through a sale of the business. An advert was placed in the Financial Times' "businesses for sale" section and certain customers and suppliers were approached directly. There were approximately six expressions of varying interest from different parties.

However, only two offers were forthcoming. Both of the companies who made the offers have common directors and shareholders to those of FFL and are therefore connected parties to FFL as set out in S249 IA1986.

The Joint Administrators took advice from independent valuation agents on the terms of the two offers.

The Joint Administrators are currently in final negotiations with one of these parties and expect an asset sale to be concluded shortly. Unfortunately, it is not possible to disclose any further details about the sale in this report, as this may prejudice the sale process.

5. Proposed Exit Route of Administration

It is proposed that the Administration will end with the Company being placed into either Creditors' Voluntary Liquidation ("CVL") pursuant to paragraph 83 of schedule B1 to the Act, or into Compulsory Liquidation pursuant to a petition being presented to the Court by the Joint Administrators.

Enclosed with this report are the Joint Administrators proposals, which include at proposal (c) that, S J Parker and T J Binyon be the proposed liquidators of the Company.

If the Joint Administrators consider it appropriate to exit into a CVL, then pursuant to paragraph 83(7) of Schedule B1 to the Act and rule 2.117(3) of the Rules, the creditors may nominate a different person(s) as the proposed liquidator(s) provided that the nomination(s) is made after the receipt of the proposals but before the proposals are approved. If the Company exits into compulsory liquidation, the Joint Administrators propose to take the appointment as Joint Liquidators pursuant to section 140(1) of the Act.

6. Estimated Outcome Statement

A summary Estimated Outcome Statement is attached to this report as **Appendix 2**. Certain values have been excluded as it is considered that disclosing such amounts could prejudice realisations.

6.1. Leasehold Property

The Company's former trading premises in Faversham are owned by East Kent Storage Limited. The valuation agents have advised that there is no value in the lease.

6.2. Book Debts

The Company's book debt ledger had a book value of £962,431 at the date of the Administration. However, much of the ledger is subject to contra items on the Company's purchase ledger.

Furthermore, the Company's largest debtor, Fruit First (Select) Limited entered into Administration on 15 April 2008, owing £353,338 to FFL. It would appear that there is no prospect of there being any monies available to FFL from that insolvency.

To date, £5,510 has been received. It is uncertain as to what further amounts will be collected. However, the collection of book debts is being managed by the Administrators and is ongoing.

6.3. Plant and Machinery

The majority of the Company's plant and machinery is subject to finance agreements with Barclays Bank PLC and Lombard North Central PLC.

6.4. Stock

The Company's stock had a book value of £180,000. However, it appears that much of this stock is subject to retention of title claims from suppliers, so it is currently uncertain as to what amounts can be realised from that source.

7. Joint Administrators' Receipts and Payments Account

I attach at **Appendix 3** a summary of the Joint Administrators' Receipts and Payments account to the date of this report. There have been realisations totalling £26,205 to date.

8. Joint Administrators' Proposals

Pursuant to Paragraph 49 of Schedule B1 of the Act, enclosed with this report are the Joint Administrators' proposals for achieving the purpose of the Administration as set out in Section 3 of this report.

9. The Prescribed Part & Barclays Bank PLC

Barclays Bank PLC hold a chattel mortgage dated 12 September 2007, which confers fixed charges over the Greefa plant and machinery. At the date of the appointment, Barclays were owed £3.5m by FFL.

HSBC also hold a floating charge dated 20 June 2000 over the Company's assets. However, given that the charge pre-dates the Enterprise Act 2002 and that HSBC are not owed any amounts by the Company, the prescribed part will not apply in this instance.

10. Joint Administrators' Remuneration

The Joint Administrators are proposing that they should be remunerated by reference to time properly spent by them and their staff in attending to the matters arising from the Administration of the Company pursuant to rule 2.106(2)(b) of the Rules. The Joint Administrators will be seeking agreement for such remuneration from the Creditors' Committee or, in the event that

such a committee is not formed, from the creditors by way of formal resolution enclosed with this report

Included within this report, as **Appendix 4** is a schedule of time costs to date as required by Statement of Insolvency Practice number 9. The Joint Administrators have time costs to date of £84,555.00 and disbursements of £871.74

The pre-appointment costs incurred in connection with the application for the Administration form an expense of the administration, by virtue of a costs provision within the Administration Order. Accordingly, I have sanctioned those fees and will draw them as and when funds allow.

Enclosed with this report is a Creditors' Guide to Administrators' Fees

11. Meeting of Creditors

It is the intention of the Joint Administrators to hold the initial creditors' meeting pursuant to Paragraph 51 of Schedule B1 of the Act through correspondence in accordance with Rule 2.48 of the Act.

Enclosed with this report is a Notice 2.25B detailing the resolutions upon which the creditors are requested to vote. This, together with a proof of debt form, should be returned to my office no later than noon on 12 June 2008.

This meeting by correspondence is to consider and approve (or otherwise) the Joint Administrators' proposals.

Creditors may cause the Joint Administrators to summon an actual creditors meeting provided that

- i At the least 10% of the creditors, measured against the Company's total debts, must request this meeting, and
- ii The request must be made on Form 2.21B (available upon request) and made within 12 days of the date of this document. It must also include a list of the creditors concurring with the request, showing the amounts of their respective debts, and confirmation of concurrence.

Please note that the expenses of summoning and holding the meeting shall be paid by that person, in advance of the meeting.

12. Joint Administrators' Investigations

Under the insolvency legislation, I have a duty to consider the conduct of those who have been directors of the Company at any time within three years preceding the Administration. I am also required to consider whether any civil proceedings should be taken. Please let me know, using the attached form, if there is any matter of which you believe I should be aware when considering the directors' conduct. I would stress that this request for information forms part of my usual investigation proceedings.

13. EC Regulation on Insolvency Proceedings 2000

For the following reason it is considered that the EC Regulation on Insolvency Proceedings 2000 will apply. If it does apply, these proceedings will be the main proceedings as defined in article 3 of the EC regulation.

The Company's registered office is from where the Company carries on its business. Therefore in the absence of proof to the contrary, the Company's centre of main interests is in the United Kingdom

14. Further Information

Should you require any further information, please do not hesitate to contact Tim Thurbin on the telephone number shown at the head of this report

Yours faithfully
For and on behalf of
Fruit First Limited



S J Parker

Joint Administrator

Licensed to act as an Insolvency Practitioner by the Insolvency Practitioners Association

Company Information

Company Name	Fruit First Limited
Previous Name	Firstmats Limited
Company Number	03956443
Date of Incorporation	27 March 2000
Trading Address	Western Link, Faversham, Kent, ME13 7TZ
Registered Office	Sherlock House, 73 Baker Street, London, W1U 6RD
Previous Registered Office	Hearts of Oak House, Pembroke Road, Sevenoaks, Kent, TN13 1XR
Principal Activity	Agricultural Service Activities

Appointment details

Date of Appointment	4 April 2008		
Appointment made by	Creditor's application by Worldwide Fruit Limited		
Court Address	High Court of Justice, Chancery Division, Companies Court, London, W1		
Court Reference	2311/2008		
Administrators Appointed	S J Parker	IP Number	8989
	T J Binyon	IP Number	9285

Directors and Shareholders

Company Directors	Charles Edward William Gaskain Robert Ian Balicki Richard Michael Day			
Company Secretary	Mark William Gaskain			
Shareholders	Great Cheveney Farm Limited Clock House Farm Limited Worldwide Fruit Limited Gaskains Limited	2,460 1,640 2,500 2,500	A B C D	Shares Shares Shares Shares
		<hr/> 9,100		Shares

Share Capital

Authorised	Allotted, called up and fully paid
10,000 ordinary shares £1 each	10,000 ordinary shares of £1 each

Charges

Debenture dated 20 June 2000 in favour of HSBC Bank PLC
Chattel Mortgage dated 27 July 2007 in favour of HSBC Bank PLC
Chattel Mortgage dated 12 September 2007 in favour of Barclays Bank PLC

FRUIT FIRST LIMITED - IN ADMINISTRATION

ESTIMATED OUTCOME STATEMENT AS AT 27 MAY 2008

	Notes	Estimated to Realise per Directors' Statement of Affairs £	Receipts/ Payments as at 27 05 08 £	Estimated Future Receipts/ Payments £	Estimated Final Position £
ASSETS SUBJECT TO FIXED CHARGE					
None	1	See Note	Nil	Nil	Nil
ASSETS FREE FROM SECURITY					
Plant & Machinery/Office Furniture	2		Nil	See Note	See Note
Stock	3		Nil	See Note	See Note
Debtors	4		5,510	See Note	See Note
Cash at Bank			20,695	Nil	20,695
			26,205	Uncertain	Uncertain
Less Costs					
Administrators' Fees	5		Nil	(150,000)	(150,000)
Administrators' Disbursements	5		Nil	(5,000)	(5,000)
Solicitors' Fees	5		Nil	(25,000)	(25,000)
Solicitors' Disbursements	5		Nil	(5,000)	(5,000)
Agents' Fees	5		Nil	(25,000)	(25,000)
Agents' Disbursements	5		Nil	(5,000)	(5,000)
Available to Preferential Creditors			26,205	Uncertain	Uncertain
Less Preferential Creditors					
Employee Arrears of Salary, Weekly Staff	6		Nil	(80,000)	(80,000)
Employee Arrears of Salary, Monthly Staff	6		Nil	(25,000)	(25,000)
Employee Holiday Pay, Weekly Staff	6		Nil	(32,000)	(32,000)
Employee Holiday Pay, Monthly Staff	6		Nil	(17,000)	(17,000)
Available to Unsecured Creditors			26,205	Uncertain	Uncertain
Less Unsecured Creditors					
Trade Creditors per accounts	7		Nil	(2,550,958)	(2,550,958)
Excess claims	7		Nil	(7,635,905)	(7,635,905)
Employees Excess Pref Claims - Salary	6		Nil	(14,000)	(14,000)
Shortfall After Unsecured Creditors			26,205	Uncertain	Uncertain

FRUIT FIRST LIMITED - IN ADMINISTRATION

ESTIMATED OUTCOME STATEMENT AS AT 27 MAY 2008

Notes

- 1 Barclays Asset Finance are owed c£3.5m in respect of the finance agreement for the main items of machinery. It is anticipated that any purchaser of the unencumbered assets will take an assignment of this agreement and therefore there will not be any fixed charge realisations. It would not be economic for the Administrators to attempt to realise any value in that machinery.

HSBC has both a chattel mortgage over certain machinery and a fixed and floating charge debenture. However, HSBC have confirmed that there is no debt due from the Company, so for the purposes of this statement have been excluded.

The Company directors are yet to submit an estimated statement of affairs for comparative purposes.

- 2 The Company owns an amount of unencumbered machinery and office furniture, etc. It is anticipated that a sale of these assets will be concluded shortly, however in order to not prejudice a potential sale I am unable to comment on the likely sale price.
- 3 The Company's stock is subject to a large number of retention of title claims from suppliers. Once those claims are resolved I will be seeking to sell the remaining stock, but at this stage I am unable to determine what sums may be realised.
- 4 At this stage it is not possible to determine what sum might be realised from the Company's debtor ledger. The Company's records indicate that c£962k is due. However, the ledger is subject to significant creditor contra claims and likely counter claims.
- 5 The likely professional costs are estimated at this stage and will be dependent upon the amount of time required to resolve the outstanding issues and upon the level of asset realisations.
- 6 The ex-employees' claims are estimated for the purpose of this statement based on information provided by the Company.

Dividend payments to creditors will be dependent upon the final level of realisations and the total sums due to both preferential and unsecured creditors are shown here for illustrative purposes only.

- 7 A number of written claims have been received from creditors which are significantly in excess of the balances shown in the Company's records. The most significant of those are detailed below.

	£'000	£'000
Worldwide Fruit Limited		
Balance per ledger	1,221,372	
Actual claim	<u>4,919,995</u>	
Excess claim		3,698,623
Gaskains Limited		
Balance per ledger	120,919	
Actual claim	<u>602,922</u>	
Excess claim		482,003
Barclays Asset Finance		<u>3,455,279</u>
Total Excess claims		<u><u>7,635,905</u></u>

These excess claims will be subject to verification in due course, and the Barclays' position is likely to be reduced on account of the assignment mentioned in 1 above.

Appendix 3

Joint Administrators' Abstract of Receipts and Payments

FRUIT FIRST LIMITED-IN ADMINISTRATION

**SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS
FROM 4 APRIL 2008 (DATE OF APPOINTMENT) TO 27 MAY 2008**

	Note	Estimated to Realise Director's Statement of Affairs	Total Receipts/ Payments To Date
FIXED CHARGE RECEIPTS			
None	1	£ Nil	£ Nil
		<u>Nil</u>	<u>Nil</u>
FIXED CHARGE PAYMENTS			
None			£ Nil
			<u>Nil</u>
FIXED CHARGE DISTRIBUTIONS			
None			£ Nil
			<u>Nil</u>
Balance (Receipts Less Payments)	2		<u>Nil</u>
			<u>Nil</u>

FLOATING CHARGE RECEIPTS			
Book Debts	1	£ Nil	£ 5,510
Cash at Bank	1	£ Nil	20,695
		<u>Nil</u>	<u>26,205</u>
FLOATING CHARGE PAYMENTS			
None			£ Nil
			<u>Nil</u>
Balance (Receipts Less Payments)	2		<u>26,205</u>
			<u>26,205</u>

Notes

- 1 The Company's Directors have not yet provided us with a Statement of Affairs in this matter, despite being requested to under paragraph 47 of Schedule B1 of IA1986
- 2 The balance of funds shown is held on an interest bearing current account held at The Royal Bank of Scotland Plc
- 3 The above statement is shown exclusive of VAT
- 4 This summary should be read in conjunction with the joint administrators' report dated 27 May 2008

S J Parker & T J Binyon
Joint Administrators
27 May 2008

Appendix 4

Information Relating to Joint Administrators' Remuneration

Office Holder Remuneration

Case Name	Fruit First Limited	
Court	High Court of Justice, Chancery Division, Companies Court	
Court reference	2311/2008	
Office Holders	S J Parker	IP Number 8989
	T J Binyon	IP Number 9285
Firm	Tenon Recovery	
Address	Sherlock House, 73 Baker Street, London, W1U 6RD	
Type of Appointment	Administration	
Date of Appointment	4 April 2008	

1. Overview of Case

1.1 Appointment

We were appointed Joint Administrators on 4 April 2008 following an application to the High Court by Worldwide Fruit Limited

1.2 Strategy

Please refer to the main body of the report

1.3 Staffing

Staff of varying grades were used on this assignment, depending on the level of experience required

1.4 Anticipated return to creditors

Please refer to the main body of the report

2. Explanation of office-holders charging and disbursement recovery policies

2.1 Time recording

Time properly incurred on cases is charged to the assignment at the hourly rate prevailing at the time
The current hourly charge out rates are outlined below

	£
Director and Licensed Insolvency Practitioner	440 to 440
Associate Director	350 to 350
Senior Manager	310 to 310
Manager	260 to 310
Other Senior Staff	180 to 210
Assistants and Support Staff	100 to 160

2.2. Disbursement recovery

Certain costs may be incurred in relation to a case and in the first instance, paid by Tenon Recovery, and then recharged to the case. The amount recharged is the exact amount incurred. Examples are statutory bond, statutory advertising, land registry searches, insurance, travel and subsistence, archiving and storage costs.

Other costs which may be charged to the case are room hire for meetings held at the offices of Tenon Recovery and the cost of sending out reports to creditors, if material. The costs recharged are based upon the actual cost of the materials used or the costs which would have been incurred if that service had been sourced externally.

The current level of costs recharged are detailed below.

Room hire	£60.00
Envelope	4 2p
Paper (photocopies per sheet)	7p
Postage (depending on size and weight)	At cost
Storage of archive box for one month	32p
Travel (per mile)	40p

3. Description of work carried out

Section 4 of this appendix outlines the time costs to date in relation to activities undertaken during this matter. These matters can be summarised as follows:

3.1. Pre-appointment

Time spent in this category comprises the activities required to obtain an Administration Order.

3.2. Administration and planning

The following activities have been undertaken:

- > Statutory duties associated with the appointment including the filing of relevant notices,
- > Notification of the appointment to creditors, members, employees and other interested parties,
- > Setting up case files,
- > Reviewing available information to determine appropriate strategy,
- > Setting up and maintaining bank accounts,

Staff of different levels were involved in the above activities depending upon the experience required.

3.3. Investigations

The following activities are relevant:

- > Corresponding with the former directors and management,
- > Review of questionnaires and comments provided by interested parties,
- > Review of company documentation,
- > Liaising with the creditors' committee on such matters, and

Due to the complex nature and importance of the investigations, the staff utilised to conduct such work involved experienced members of staff.

3.4. Realisation of assets

Please refer to the main body of the report.

3.5 Creditors

The following activities are relevant

- > Recording and maintaining the list of creditors,
- > Dealing with employee related matters,
- > Dealing with reservation of title claims,
- > Recording creditor claims
- > Reporting to creditors,
- > Dealing with creditor queries,
- > Reviewing and evaluating creditor claims,

4 Time and chargeout summary

To date a total of 296 70 hours have been spent at an average charge out rate of £284 98

A summary table is shown below

Classification of work function	Directors Associate Director	Manager	Other Senior Professional	Assistants & Support Staff	Total Hours	Time Cost £	Average hourly rate £
Pre Appointment	24 40	48 00	1 80		74 20	25,787 00	347 53
<u>Post Appointment Time</u>							
Correspondence			0 50		0 50	105 00	210 00
Debtors	2 30	6 00	1 80		10 10	3,250 00	321 78
Filing			8 20		8 20	1,722 00	210 00
Cashiering				5 00	5 00	550 00	110 00
Engagement Activities		1 00			1 00	310 00	310 00
Investigations	1 00	13 30	3 30		17 60	5,303 00	301 31
Travel			9 00		9 00	1,890 00	210 00
General Administration	3 30			0 30	3 60	1,491 00	414 17
Unsecured Creditors	1 30		24 60		25 90	5,738 00	221 54
Directors & Shareholders			12 70		12 70	2 667 00	210 00
Employee Related Tasks	0 30	1 00	7 30		8 60	1,975 00	229 65
Plant & Machinery			1 60		1 60	336 00	210 00
Realisation of Assets		15 50			15 50	4 805 00	310 00
Finance/HP Creditor			1 70		1 70	357 00	210 00
Leasehold Property		3 00			3 00	930 00	310 00
Pension Scheme			0 90		0 90	189 00	210 00
Retention of Title		8 50	20 80		29 30	7,003 00	239 01
Review	0 50				0 50	220 00	440 00

Sale of the Company's Assets	8 50	13 50	15 50		37 50	11 180 00	298 13
Secured Creditor			3 00		3 00	630 00	210 00
Statutory Duties	0 80	22 00	4 50		27 30	8,117 00	297 33
Total hours	42 40	131 80	117 20	5 30	296 70	84,555 00	284 98
Total fees claimed £						Nil	

The above costs exclude VAT

Disbursements

4 1. Category 1

Category 1 disbursements incurred are outlined below

Description	Incurred	Paid
	(£)	(£)
Company Searches	5 00	0
Mileage & Subsistence	461 02	0
Statutory Advertising	369 72	0
Insurance	<u>36 00</u>	<u>0</u>
Total	<u>871 74</u>	<u>0</u>

The above costs exclude VAT

4 2. Category 2 disbursements

No Category 2 disbursements have been charged to this matter

A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

Where Petition Presented or Appointment Made On or After 15 September 2003

1 Introduction

- 1 1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

2 The nature of administration

- 2 1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:
- > rescuing the company as a going concern, or
 - > achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration, or, if the administrator thinks neither of these objectives is reasonably practicable
 - > realising property in order to make a distribution to secured or preferential creditors

3 The creditors' committee

- 3 1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

4 Fixing the administrator's fees

- 4 1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either:
- > as a percentage of the value of the property which the administrator has to deal with, or
 - > by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is fixed as a percentage fix the percentage to be applied. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- > the complexity (or otherwise) of the case,
- > any responsibility of an exceptional kind or degree which falls on the administrator,
- > the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties,
- > the value and nature of the property which the administrator has to deal with.

- 4 2 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

- 4 3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets.

In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of:

- > each secured creditor of the company, or
- > if the administrator has made or intends to make a distribution to preferential creditors:
 - > each secured creditor of the company, and
 - > preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval,

having regard to the same matters as the committee would.

Note that there is no requirement to hold a creditors' meeting in such cases unless a meeting is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company.

- 4 4 A resolution of creditors may be obtained by correspondence.

5 What information should be provided by the administrator?

5.1 When seeking fee approval

5.1.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on

- > the nature of the approval being sought,
- > the stage during the administration of the case at which it is being sought, and
- > the size and complexity of the case

5.1.2 Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case

5.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfill certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above

5.1.4 To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent

- > Administration and planning
- > Investigations
- > Realisation of assets
- > Trading
- > Creditors
- > Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff

- > Partner
- > Manager
- > Other senior professionals
- > Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain

- > Any significant aspects of the case, particularly those that affect the amount of time spent
- > The reasons for subsequent changes in strategy
- > Any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make
- > The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement
- > Any existing agreement about fees
- > Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases

5.1.5 Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by an administrator or his staff

5.2 After fee approval

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the administrator should notify the creditors of the details of the resolution in his next report or circular to them. In all subsequent reports to creditors the administrator should specify the amount of remuneration he has drawn in accordance with the resolution. Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 5.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 5.1.4 above regarding work which has been sub-contracted out

5 3 Expenses and disbursements

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the administrator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

6 What if a creditor is dissatisfied?

- 6 1 If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

7 What if the administrator is dissatisfied?

- 7 1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

8 Other matters relating to fees

- 8 1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.
- 8 2 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

9 Provision of information – additional requirements

In any case where the administrator is appointed on or after 1 April 2005 he must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company.

The information which must be provided is –

- > the total number of hours spent on the case by the administrator or staff assigned to the case,
- > for each grade of staff, the average hourly rate at which they are charged out,
- > the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.

10 Tenon Recovery's remuneration and disbursement policy

10 1 Remuneration

- 10 1 1 Time properly incurred on cases is charged to the assignment at the hourly rate prevailing at the time. The current hourly charge out rates are outlined below.

	£
Director and Licensed Insolvency Practitioner	440 to 440
Associate Director	350 to 350
Senior Manager	310 to 310
Manager	260 to 310
Other Senior Staff	180 to 210
Assistants and Support Staff	100 to 160

10.2 Basis of Charging Disbursements and Expenses

10.2.1 Certain costs may be incurred in relation to a case and in the first instance, paid by Tenon Recovery, and then recharged to the case. The amount recharged is the exact amount incurred. Examples are statutory bond, statutory advertising, land registry searches, insurance, travel and subsistence, archiving and storage costs.

10.2.2 Other costs which may be charged to the case are room hire for meetings held at the offices of Tenon Recovery and the cost of sending out reports to creditors, if material. The costs recharged are based upon the actual cost of the materials used or the costs which would have been incurred if that service had been sourced externally.

10.2.3 The current level of costs recharged are detailed below:

Room hire	£60.00
Envelope	4.2p
Paper (photocopies per sheet)	7p
Postage (depending on size and weight)	At cost
Storage of archive box for one month	32p
Travel (per mile)	40p

CREDITORS QUESTIONNAIRE
INVESTIGATION INTO THE AFFAIRS OF
FRUIT FIRST LIMITED
IN ADMINISTRATION

Creditor's name and address	
1	Estimated Claim
2	If the estimated claim exceeds the credit limit, on what basis or terms was the additional credit allowed?
3	Please provide details of any comfort, security or assurance given to you to allow continuance of credit
4	When were you first aware that there were difficulties in getting payment and what was the evidence of this? e g extended credit, lump sum payments, dishonoured cheques

5	Please provide details of any cheques which were dishonoured, including dates and amounts
6	Please provide details, including dates, of any writs, summons, decrees or other legal action you took to recover your debt
7	Are there any particular matters you feel should be reviewed? If so, please provide brief details
Name	
Signature	
Position	
Date	

Should there be insufficient space on this form, please use a separate piece of paper clearly indicating which question the continuation sheet refers to

Rule 2.48

Notice of conduct of business by correspondence

Name of Company Fruit First Limited	Company number 03956443
In the High Court of Justice, Chancery Division, Companies Court. (full name of court)	Court case number 2311/2008

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

Notice is hereby given by (a)

S J Parker
Tenon Recovery,
Sherlock House,
73 Baker Street,
London,
W1U 6RD

T J Binyon
Tenon Recovery,
Sherlock House,
73 Baker Street,
London,
W1U 6RD

(b) Insert full name and
address of registered
office of the company

to the creditors of (b) Fruit First Limited
Sherlock House, 73 Baker Street, London, W1U 6RD

(c) Insert number of
resolutions enclosed

that, pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, enclosed are (c) 3
resolutions for your consideration Please indicate below whether you are in favour or
against each resolution

(d) Insert address to
which form is to be
delivered

This form must be received at (d) Tenon Recovery, Sherlock House, 73 Baker Street,
London, W1U 6RD

(e) Insert closing date

by 12 00 hours on (e) 12 June 2008 in order to be
counted It must be accompanied by details in writing of your claim Failure to do so
will lead to your vote(s) being disregarded

Repeat as necessary for
the number of resolutions
attached

Resolution (1)

For the acceptance of the Joint Administrators' I am *in Favour / Against
proposals/revised proposals as circulated (excluding
paragraph (e) as covered by resolution 3 below and
paragraphs (g) to (j) as covered by resolution 2 below)

Resolution (2)

I am *in Favour / Against

For the acceptance of the Joint Administrators' proposals
relating to remuneration and disbursements as outlined in
paragraphs (g) to (j) of the proposals

Resolution (3)

That upon the Company either proceeding into Liquidation
or dissolution, the Joint Administrators discharge from
liability, pursuant to paragraph 98 of Schedule B1 shall take
effect 14 days following either the Company entering into
liquidation or filing the notice of moving from Administration
to dissolution

I am *in Favour / Against

*Delete as appropriate

CONTINUED OVERLEAF

TO BE COMPLETED BY CREDITOR WHEN RETURNING FORM

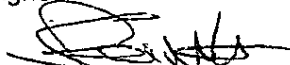
Name of creditor

Signature of creditor

(If signing on behalf of creditor, state capacity e g director/solicitor)

If you require any further details or clarification prior to returning your votes, please contact me/us at the address above

Signed



Joint Administrator

Dated

27 May 2008

Rule 2 72

PROOF OF DEBT - GENERAL FORM

**In the matter of Fruit First Limited
In Administration
and in the matter of The Insolvency Act 1986**

Appointment Date – 4 April 2008

1	Name of Creditor	
2	Address of Creditor	
3	Total amount of claim, including any Value Added Tax and outstanding uncapitalised interest as at the date the company went into liquidation (see note)	£
4	Details of any document by reference to which the debt can be substantiated [Note the liquidator may call for any document or evidence to substantiate the claim at his discretion]	
5	If the total amount shown above includes Value Added Tax, please show - (a) amount of Value Added Tax (b) amount of claim NET of Value Added Tax	£ £
6	If total amount above includes outstanding uncapitalised interest please state amount	£
7	If you have filled in both box 3 and box 5, please state whether you are claiming the amount shown in box 3 or the amount shown in box 5(b)	
8	Give details of whether the whole or any part of the debt falls within any (and if so which) of the categories of preferential debts under section 386 of, and schedule 6 to, the Insolvency Act 1986 (as read with schedule 3 to the Social Security Pensions Act 1975)	Category Amount(s) claimed as preferential £
9	Particulars of how and when debt incurred	
10	Particulars of any security held, the value of the security, and the date it was given	£
11	Signature of creditor or person authorised to act on his behalf	
	Name in BLOCK LETTERS	
	Position with or relation to creditor	
	Date	