

The Insolvency Act 1986
Statement of Administrator's
Proposals
Pursuant to Section 23(1)(a) of
the
Insolvency Act 1986

S.23(1)(a)

To the Registrar of Companies

For Official Use

--	--	--

Company Number

4192826

Insert full name of
company

Name of Company

Orb Commercial Ltd

Insert full name and
address

I, Douglas MacDonald
81 St Martins' Lane
London
WC2N 4AA

administrator of the company attach a copy of my/our proposals for achieving the purposes set out in the administration order filed herein. A copy of these proposals was sent to all known creditors on:

Insert date

15 September 2003



Signed

Dated

16/9/03

Presenter's name,
address and reference
(if any)

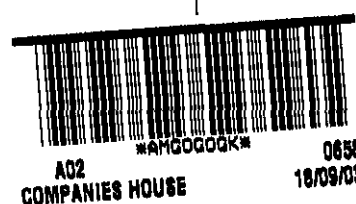
ORBCOMM
Orb Commercial Ltd

Douglas MacDonald
The MacDonald Partnership
81 St Martins' Lane
London
WC2N 4AA

For Official Use

Insolvency Section

Post Room



ADMINISTRATOR'S PROPOSALS

PURSUANT TO SECTION 23 OF THE INSOLVENCY ACT 1986

DATE OF ISSUE: 12 SEPTEMBER 2003

IN THE MATTER OF

- 1. ORB ESTATES PLC ("ORB ESTATES") (IN ADMINISTRATION)**
 - 2. MITRE PROPERTY MANAGEMENT LTD ("MITRE") (IN ADMINISTRATION)**
 - 3. COMMERCIAL PORTFOLIO MANAGEMENT LTD (IN ADMINISTRATION)**
 - 4. ELLARD CONSTRUCTION LIMITED (IN ADMINISTRATION)**
 - 5. EYTON INVESTMENTS LIMITED (IN ADMINISTRATION)**
 - 6. ROYTON INDUSTRIES LIMITED (IN ADMINISTRATION)**
 - 7. ORB COMMERCIAL LIMITED ("ORB COMMERCIAL") (IN ADMINISTRATION)**
 - 8. ORB WAREHOUSING LIMITED ("ORB WAREHOUSING") (IN ADMINISTRATION)**
-

1. Introduction

1.1 I, Douglas Colquhoun MacDonald, am a Chartered Accountant and Insolvency Practitioner. I am a director of The MacDonald Partnership plc.

1.2 I was appointed administrator of the above companies on 11 July 2003 in the High Court of Justice. The order numbers as follows:

1.2.1	Orb Estates Plc	1472/2003
1.2.2	Mitre Property Management Limited	1474/2003
1.2.3	Commercial Portfolio Management Limited	1473/2003
1.2.4	Ellard Construction Limited	1475/2003
1.2.5	Eyton investments Limited	1479/2003
1.2.6	Royton industries Limited	1476/2003
1.2.7	Orb Commercial Limited	1477/2003
1.2.8	Orb Warehousing Limited	1478/2003

1.3 Under Section 23 of the Insolvency Act 1986, I am required to present my proposals to a creditors' meeting summoned for this purpose. The notice of this meeting is attached to the convening letter of this report. Although the creditors will obviously differ between the various companies, I have prepared one report in respect of each of the meetings of creditors. This is because the affairs of all the companies are related and to enable all of the creditors involved to appreciate the full picture, I have decided to provide one comprehensive report that covers the history of the companies and the reasons why each of the companies has been placed in administration.

2. Statutory and Historic Accounting Information

- 2.1 I have included the relevant statutory information in Appendix 1.
- 2.2 In appendix 2 I have attached a group structure of all the companies within the Group.
- 2.3 For clarity, throughout in this report I refer to the key components of the Group as being
 - 2.3.1 "The Group" – being Orb Securities Limited and its subsidiaries (which are scheduled on page 1 of appendix 2)
 - 2.3.2 "The Orb Group" – being Orb Estates plc and its subsidiaries (which are scheduled on page 2 of appendix 2), and
 - 2.3.3 "The Seafield Group" – being Seafield Holdings Limited and its subsidiaries (which are scheduled on page 3 of appendix 2),
- 2.4 I have also attached a summary of the historic audited accounts in Appendix 3.
- 2.5 With the exception of Seafield and Thompson Martin, all the companies were either dormant, non-trading or property holding companies. In these cases, the latest audited accounts represent the most recent accurate financial information. The companies that are dormant have been placed in administration so that the position on the inter-company indebtedness can be investigated.

3. History and Background to the Business

3.1 History

- 3.1.1 The Orb Group was established in April 1955. In June 1999 the Orb Group was a fully listed UK property group. The principal activity of the Orb Group was investment, development and dealing in commercial and residential property and the holding of business operations that supported the property interests.
- 3.1.2 The Orb Group acquired 100% of Poole Pottery Limited in October 1999. Orb Group then acquired Albemarle Property Investments Plc in August 1999. Thereafter the Orb Group then acquired 100% of Gander Properties Plc and its subsidiaries in November 1999.
- 3.1.3 In June 2000, Orb Securities Ltd, BVI (previously named Tableside Venture Ltd) acquired the entire share capital of Orb Estates Plc. Orb Securities Ltd was owned by a number of high net worth individuals and the assets were managed by Lynch Talbot Limited, a Jersey based management company.
- 3.1.4 In March 2001, Orb Acquisitions II Limited, a BVI registered company, and a subsidiary of Orb Securities Ltd, acquired Seafield Plc (now Seafield Ltd), which in turn controlled Seafield and Thompson Martin warehousing and logistics businesses. There are 12 subsidiary companies in the Seafield Group. Only two of these companies were still trading at the date of the administration. A third company, Thompson Martin Group owned a property at Scunthorpe prior to the making of the administration order.
- 3.1.5 In August 2002, Orb a.r.l, a Jersey registered company, became the ultimate parent company of the entire group of companies listed above. Orb a.r.l was also the holding company of Euro & UK Property Ltd, a group holding a significant portfolio of hotels and related investments.

- 3.1.6 On 31 May 2003, Atlantic Hotels (UK) Limited ("Atlantic") acquired Euro & UK Property Limited ("Euro & UK"). Euro & UK held a hotel portfolio and was formerly part of the Group.
- 3.1.7 Atlantic is a vehicle controlled by Andy Ruhan and Alan Campbell ("the Investors").
- 3.1.8 At the same time, Conway Assets Limited ("Conway"), also controlled by the Investors, acquired the shares in Orb Securities Limited, which as I have explained above is the parent company of the Orb Group and Orb Acquisitions II Limited.
- 3.1.9 I believe that both Investors are experienced businessmen who specialise in developing growth in troubled businesses that are in financial difficulty. Mr Ruhan is a Midlands based businessman and Mr Campbell is an experienced chartered accountant. Both Investors are unconnected with any of the reasons that had caused problems for the Group. As parties who have acquired control of other parts of the Group (albeit via shareholdings in the holding companies) they knew and understood the problems facing the Group and the impact that creditor action was having on individual companies in the Group.

3.2 Current Activity

- 3.2.1 The current activity of the Group is split into the following summary activities.

Type of Activity	Principal Companies	Explanation
Property Holding Company	Orb Commercial	Holds a portfolio of commercial properties.
	Orb Warehousing	Holds a portfolio of warehousing properties which are leased to Seafield.
Property Development	The Quays Group	A group of companies (scheduled in appendix 2) established to develop commercial, residential and hotel properties in Poole Harbour.
Logistics, Warehousing and Transport	Seafield and Thompson Martin	Operating companies providing 3 rd party logistics warehousing and transport.

3.3 Financial History

- 3.3.1 The latest audited accounts for the Orb Group and Seafield Limited, are summarised as follows:

	Orb Estates £000s		
	Year ended 30.06.02	Year ended 30.06.01	Year ended 30.06.00
Profit & Loss			
Turnover	<u>£20,785</u>	<u>£24,471</u>	<u>£16,155</u>
Pre-tax profit/(loss)	<u>(£1,528)</u>	<u>(£6,118)</u>	<u>(£6,645)</u>
Balance sheet			
Net current assets/(liabilities)	<u>£64,111</u>	<u>£29,118</u>	<u>(£600)</u>
Net assets/(liabilities)	<u>£50,849</u>	<u>£51,842</u>	<u>£41,672</u>

Seafield Limited			
£000s			
	Year ended 31.12.01	Year ended 31.12.00	Year ended 31.12.99
Profit & Loss			
Turnover	<u>£16,101</u>	<u>£13,826</u>	<u>£11,444</u>
Pre-tax profit/(loss)	<u>(£9,455)</u>	<u>£515</u>	<u>£814</u>
Balance sheet			
Net current assets/(liabilities)	<u>£440</u>	<u>(£935)</u>	<u>(£774)</u>
Net assets/(liabilities)	<u>£3,854</u>	<u>£13,248</u>	<u>£12,733</u>

Notes:

Orb Estates Plc – consolidated accounts for the group which includes:

- Mitre Property Management Limited
- Commercial Portfolio Management Limited
- Ellard Construction Limited
- Eyton Investments Limited
- Royton Industries Limited
- Orb Commercial Limited
- Orb Warehousing Limited

Seafield Limited – consolidated accounts for the group which includes:

- Seafield Holdings Limited
- Thompson Martin Group Limited (acquired October 2001)
- Thompson Martin Limited (acquired October 2001)

3.4 Funding

3.4.1 The principal external debt funding at the date of the Administration Order was as follows:

Company being funded	Type of debt funding	Amount £m	Amount = £m
Poole Developments	Bank Debt (as at December 2002)	52.0	
Poole Harbour	Bank Debt	1.0	
Orb Hotel Poole	Bank Debt	14.0	
Total debt in Quays/Poole Development			67.0
Orb Commercial	MSMS Securitised Debt	50.0	
Orb Warehousing	MSMS Securitised Debt	31.0	
			81.0
Seafield Holdings			1.2
Thompson Martin	Bank loan and overdraft	1.1	
	Finance leases	2.0	
	Receivable finance	0.5	
			3.6
Total principal external debt funding			<u>£152.8</u>

3.4.2 It should be noted that the "MSMS Securitised Debt" refers to a loan that was secured by a fixed and floating charge in favour of Morgan Stanley Mortgage Services

("MSMS") as Security Trustee ("the Securitised Loan"). The loan was securitised in a transaction arranged and managed by Morgan Stanley and Company International Limited ("Morgan Stanley").

- 3.4.3 The consent of MSMS as the Trustee for the loan stock holders was crucial to the obtaining of the Administration Order.
- 3.4.4 I believed that the administration process and the consent and support of MSMS would provide a real prospect of a better realisation of assets in respect of Orb Commercial and Orb Warehousing.
- 3.4.5 It is important to understand the reasons why it was necessary to work out a turnaround strategy for Orb Commercial and Orb Warehousing and this in turn requires an understanding of the interrelationship between the Group companies. One example of this is the interrelationship between the Seafield Group of companies and Orb Warehousing.
- 3.4.6 Seafield and Thompson Martin traded from eight different sites and at least five of these sites; the landlord was Orb Warehousing. I believed that it was an important part of the rescue strategy for Orb Warehousing and Orb Commercial that these properties remained let and that the rental income that flowed from the trade generated by Seafield and Thompson Martin provided an ability to service part of the interest on the Securitised Loan.

4. Events Leading to the Petition for the Administration Order and Reasons for Failure

- 4.1 The Group was created on the basis of highly leveraged property finance with a myriad of complex and interrelated transactions that created a domino effect throughout the Group and this domino effect fed into and affected and influenced the companies in the Orb Group, Quays Group and the Seafield Group.
- 4.2 The problems faced by the entire Group and individual companies at the time of the Administration Order are best summarised as follows:

4.3 Management Style

- 4.3.1 The Group was controlled by Gerald Smith, the Chief Executive of Lynch Talbot Ltd (a Jersey based management company) ("Lynch Talbot").
- 4.3.2 I understand that Mr Smith created and drove the Group in its entirety. The Investors and the management of the individual companies informed me that there were considerable problems with the way he operated the companies. I understand that Mr Smith often operated as though the "Group" was one legal entity. This appears to have caused problems for the Group. Funds had been moved around the Group and this appeared to have created prejudice to individual and often unsecured creditors of the companies in the Group.
- 4.3.3 It is important to emphasise that Mr Smith's management approach to treating the "Group" as one legal entity, in part at least explains the reason for the problems detailed below.
- 4.3.4 The problems set out above were compounded by the ultimate cause of failure i.e. that the profits on property developments and yields on property income were insufficient to cover the Group's debt burden, operational overheads and development costs.

4.4 Inter-company balances

- 4.4.1 As a direct result of the management style, the Group had complex and circular inter-company balances. The inter company balances are detailed in appendix 4.

- 4.4.2 In my opinion, the importance of the impact of the intercompany liabilities should not be underestimated. It caused immense difficulties in preparing the draft statement of affairs. In such circumstances the circular flow of the intercompany balances created significant hurdles in creating a viable restructuring plan.
- 4.4.3 To assist in understanding the position, I have attached a diagram in appendix 5.
- 4.5 The key (and very important) implications of the inter-company balances were that:
- 4.5.1 If one company was unable to pay its debts as they fell due or were enforced then it created a domino effect throughout the Group.
- 4.5.2 Furthermore, it made restructuring the group on a solvent basis immensely difficult, if not impossible.
- 4.6 **Potential Litigation from Izodia Plc**
- 4.6.1 The directors informed me that there was a potential claim from Izodia Plc ("Izodia") for about £30m against Orb Estates Plc and possibly other companies in the Group. I believe that Izodia had applied to be substituted as petitioner in respect of a winding up petition issued by Lloyds TSB Fund Managers ("Lloyds") against Orb Estates Plc. Following the making of administration orders the winding up petition was dismissed.
- 4.6.2 In summary,
- 4.6.2.1 Izodia is a company that was set up in the dot.com boom. Its principal objectives were to develop E-commerce software.
- 4.6.2.2 Izodia was owned 26.3% by Stomp Limited, which was ultimately acquired by Orb A.R.L in August 2002. This investment was subsequently increased to the permitted 29.9%.
- 4.6.2.3 Izodia raised approximately £123m from a placing issue during 2000. The latest interim accounts as at 30 June 2002 showed cash balances remaining of £41m.
- 4.6.2.4 Izodia was not successful in achieving its objectives and ceased trading.
- 4.6.2.5 It is alleged that under the management of the Group, approximately £33m was transferred from Izodia to Lynch Talbot and to Mitre.
- 4.6.2.6 Management informed me that Gerald Smith is the only person who has knowledge of Lynch Talbot and Orb Securities offshore affairs. I was unable to confirm whether the monies transferred to Lynch Talbot were passed to Orb Estates.
- 4.6.2.7 There was significant litigation against Orb a.r.l., Lynch Talbot, Mitre and Gerald Smith by those who now control Izodia. On Monday 16 June 2003 Gerald Smith and Mitre were fined £10,000 in a Jersey Court for being in contempt of Court for not providing information requested by the Court in relation to these proceedings.
- 4.6.2.8 Mitre may have benefited from the transfer of funds. As an illustration of the "Group" management style, I was informed by the directors of Mitre that they were not made fully aware of the need to provide information for the Jersey hearing date, as Gerald Smith was dealing with this matter.
- 4.6.2.9 The impact of a successful claim from Izodia would have been to put the insolvency of Orb and Mitre beyond doubt, and created a domino effect throughout the Group. I am investigating this situation as part of the administration of Orb Estates. I expect to be able to provide more information about the claims by the date of the creditors meetings.

4.7 Additional Issues Relating to Orb Estates

- 4.7.1 My attention was drawn by the Investors to a potential action from Thistle Hotels ("Thistle") (part of Euro UK) against Orb Estates. I understand that argument is being advanced that Orb Estates received £9m from Thistle, and that these funds were outstanding. I am investigating this matter as part of the administration of Orb Estates. Again I hope to be able to provide more information on this aspect at the creditors meetings.
- 4.7.2 Orb Estates had received a claim from GE Capital of £1.9m as guarantor to Orb Services Ltd.
- 4.7.3 As a result of the matters related to Izodia, discussed above, I understand from the Investors that the offices of Orb Estates had recently been raided by the Serious Fraud Office.

4.8 The Quays Group

- 4.8.1 The Quays Group, illustrated in the Group structure in appendix 2, was set up to develop residential, hotel and commercial properties in Poole.

- 4.8.2 It was funded as follows:

	£m
External shareholders equity	34
Bank debt (total)	67
	<hr/> 101

- 4.8.3 The shareholding of Quays is as follows:

Orb Estates	75.1%
Outside shareholders (3000 members)	24.9%
	<hr/> 100%

- 4.8.4 The Quays group has run into financial difficulties because:

4.8.4.1 There have been considerable cost overruns.

4.8.4.2 There have been lengthy building delays.

4.8.4.3 The Company no longer enjoys the support of its bank which has taken advance payment deposits for high value flats which the Company cannot now complete due to lack of funding.

- 4.8.5 As a result of Quays bankers The Royal Bank Of Scotland International ("RBS International") has,

4.8.5.1 Appointed turnaround specialists to complete the project.

4.8.5.2 Appointed an administrative receiver in Poole Developments Limited (property developer) and Dolphin Quay Developments Limited (which is the company that sells the flats).

- 4.8.6 Furthermore,

4.8.6.1 There are approximately 3,000 disgruntled shareholders, and

4.8.6.2 A number of concerned individuals who have paid advance deposits.

- 4.8.7 Therefore, the Quays position is extremely contentious. The restructuring outcome is effectively controlled by RBSI who are (as detailed above) taking the appropriate action.

4.9 Inter Relation Between Seafield, Thompson Martin and Orb Warehousing

- 4.9.1 Seafield Holdings and Thompson Martin provided logistics, warehousing and transporting services to third parties.
- 4.9.2 As I have already explained the warehousing properties utilised by these companies were owned by Orb Warehousing. The Seafield Group had lease arrangements with Orb Warehousing.
- 4.9.3 However, as discussed below, The Seafield Group could not pay the rents of £3.7m p.a. for these properties. This had the effect of:
- 4.9.3.1 Making Orb Warehousing unable to meet its annual interest payments of £2.1m under the Morgan Stanley debentures.
- 4.9.3.2 This in turn caused Orb Commercial (under the cross guarantees) to default on its debentures.
- 4.9.4 If Seafield and Thompson Martin had become terminally insolvent, then it would have had a very significant implications for Orb Warehousing. The warehousing properties are located in Aylesham (Kent), Worksop (South Yorkshire) and Barnsley (Yorkshire). They are large warehousing premises of approximately 1.1m square feet. Although the Seafield Group serviced local businesses, if the warehouses had become vacant in the event of terminal insolvency, I was advised and I believed that they would take a lengthy period of time to re-let because of the relatively remote location. I believed that it could take as long as 2 to 3 years. This could have had a fundamentally negative effect on the value of the properties, which could have created a material deficiency under the Securitised Loan.
- 4.9.5 Therefore in the interests of maintaining the Securitised Loan, the issues in relation to Orb Commercial and Orb Warehousing, Seafield Holdings and Thompson Martin were inherently entwined. Due to the Group inter-company balances this had a knock on effect throughout the Group. This had an effect on any prospect for unsecured creditors. If MSMS had enforced the Securitised Loan then an additional liability of £6 million would have impacted upon Orb Warehousing and Orb Commercial.
- 4.9.6 As a result, to assist in maintaining the Securitised Loan a viable turnaround had to be effected for Seafield and Thompson Martin. In turn MSMS was satisfied that the turnaround strategy would not prejudice its position and the bond holders who they represent as trustee.

4.10 The Business of Seafield and Thompson Martin

- 4.10.1 For perfectly sound commercial reasons, the management of Seafield Holdings and Thompson Martin had decided to merge the two activities of both companies.
- 4.10.2 The two businesses effectively provided the same services to clients and it made sense that they should operate as one entity for both operational efficiency and external marketing purposes.
- 4.10.3 As a result, the accounts of the two companies became "integrated".
- 4.10.3.1 Thompson Martin creditors and head office expenses were accounted for in Seafield's accounts.

4.10.3.2 Thompson Martin's debtors, receivable advances and facilities, and property holdings and related loans were accounted for in Thompson Martin's accounts.

4.10.4 This had the effect of making both sets of management accounts inaccurate in that it

4.10.4.1 Artificially inflated Thompson Martin's profits and understated its liabilities, and

4.10.4.2 Increased Seafield's losses and overstated its liabilities.

4.10.5 The implications of this from a restructuring viewpoint were:

4.10.5.1 The accounts of both companies were inaccurate, and it was impossible to restate them at the time.

4.10.5.2 This, as a result, impacted on the restructuring options referred to below.

5. Extent of the Group's Insolvency and Insolvency of the Individual Group Companies

5.1 As part of my Rule 2.2 report to the Court, accompanying the petition for the administration, I prepared an estimated statement of affairs of a liquidation or administrative receivership for all the companies in the group. This is attached in Appendix 4.

5.2 In preparing this information, I relied on:

5.2.1 Management information.

5.2.2 Property valuations on all properties in Orb Commercial Ltd, Orb Warehousing Ltd and Thompson Martin Group Ltd prepared by CB Richard Ellis.

5.2.3 Plant and machinery valuations in Seafield Holdings Ltd and Thompson Martin Ltd, prepared by Weatherall Green & Smith.

5.3 On the basis of the draft statement of affairs, ignoring the fees and expenses, there is a large net deficiency in each company proving balance sheet insolvency.

6. Urgency

An administration order was urgently required for the following reasons:

6.1 The Group needed protection from its creditors, in order to be able to propose a viable restructuring to maximise the individual companies' creditors' interests.

6.2 The Group needed protection from the legal action detailed above to enable it to generate the highest possible realisations to maximise creditors' interests.

6.3 Following the acquisition by Conway of the Group, the directors of the individual subsidiaries had been informed that there was no further Group funding available. Therefore, the directors needed to take urgent action to avoid wrongful trading.

6.4 Finally, the risk of action from Izodia was high. Given the contempt of Court Judgment detailed above, it was clear that an independent person urgently needed to investigate and if appropriate control and direct the litigation from Izodia, if only to ensure that the Jersey Court's requirements were satisfied.

7. S8(3) Purposes

The purpose of the administration orders for all the companies within the group under s8(3) of the Insolvency Act is:

s8(3)(d) A more advantageous realisation of assets than would have been the case in the winding-up of the company.

8. Consultation with Principal Creditors Prior to Petition for the Administration Order

As part of the process of obtaining the administration order, I consulted and obtained consent from MSMS and Izodia Limited creditors who I anticipated might be affected by the making of the administration orders. In doing so, I outlined the steps that I would take on my appointment to obtain their prior approval before obtaining the administration order, and carrying out the plan (which is detailed below).

9. Primary Commercial Objectives of the Administration

The primary commercial objectives behind the structure of the administration for the Group was to

9.1 Maximise the realisations of the assets of the company

9.2 Minimise costs, by avoiding any trading period under administration.

The combined effect of the above is to maximise the returns to creditors in their set priority.

10. Initial Action in the Administration

My initial actions have been to

10.1 Get control of the assets of the Group, and

10.2 Dispose of the principal assets of the Group.

I have not at this stage reviewed creditors' claims, as the first priority has been to realise the company's assets. However, my staff have been actively obtaining initial proof of debts.

11. Timetable

The following timetable is useful to illustrate the historic progress and future actions to be taken.

Event	Date of Deadline	Status
1. Administration orders granted	11 July 2003	Completed
2. Sale of businesses and assts of Seafield and Thompson Martin (detailed fully in section 12)	12 July 2003	Completed
3. Sale of businesses, assets and properties of Orb Warehousing and Orb Commercial detailed fully in section 12)	12 July 2003	Completed
4. Realisation of cash balances held in Seafield, Thompson Martin, Orb Estates and Mitre	28 July 2003	Completed
5. Realisation of furniture and equipment in Orb Estates	11 August 2003	Completed
6. Collection of deferred consideration in respect of sale of	3 October 2003	In progress

Seafield and Thompson Martin		
7. Realisation of Seafield's debtors	27 October 2003	In progress
8. Realisation of Thompson Martin's debtors (Note: only after BN finance have been paid out under their agreement)	27 October 2003	Outstanding
9. Realisation of intercompany receivables from Poole Pottery. (This is dependent on actions of the administrators of Poole Pottery and the sale of the business)	November 2003	Outstanding
10. Section 23 meeting 10.1 Orb Estates & subsidiaries 10.2 Seafield, Thompson Martin and Thompson Martin Group	30 September 2003 1 October 2003	In progress In progress
Future Action Plan		
11. Realisation of Crowle property in Thompson Martin	November 2003	In progress
12. Investigation of other intercompany receivables in order to maximise realisations	November 2003	In progress
13. Investigation of claims made by Izodia against Orb Estates	November 2003	In progress
14. Investigation of claims made by Thistle against Orb Estates and counter claims against Thistle.	November 2003	In progress
15. Realisation of shares in the Quays Group	November 2003	In progress
16. Investigation of other property transactions in Orb Estates and any of its subsidiaries which could result in realisations	November 2003	In progress
17. Discharge of Administration order	February 2004	Outstanding

12. Sale and Purchase of the Business and Assets

- 12.1 The sale of the businesses and assets of Seafield and Thompson Martin were concluded on 12 July 2003. The vehicles for the purchase of these assets are three UK companies, which are subsidiaries of a British Virgin Islands holding company, which I believe, is ultimately controlled by the Investors. This sale was, in my view, the most effective and viable way of achieving the best realisation of the assets of these companies and minimising any further loss to creditors.
- 12.2 On 12 July 2003, the businesses, assets and properties of Orb Warehousing and Orb Commercial were sold to two BVI companies controlled ultimately by the Investors.
- 12.3 The value of the consideration for the sales of the Seafield and Thompson Martin businesses was fixed according to the valuation of assets performed by Weatheralls. The agreement provided that all liabilities for employees, lease and hire purchase contracts and any software licence were transferred across to the extent permissible.
- 12.4 A licence to occupy was granted by Seafield acting by its Administrator to one or more of the three acquiring companies entitling them to occupy the premises subject to leases with the company purchasing Orb Warehousing. Seafield acting by its Administrator gave further assurance enabling the assignment of the existing leases granted by Orb Warehousing in favour of Seafield.
- 12.5 Prior to the Administration, HSBC Invoice Finance assigned its debts financed under the terms of the old invoice discounting facility to BN Finance Ltd, which is a company that

specialises in the purchase of debts. I ensured that a fair value in respect of any equity in the debts would be paid over to Thompson Martin. Given the short time available to effect this transaction, BN Finance was the only realistic purchaser of those debts. I ensured that the company when in administration was given an opportunity to refinance the debtor book on better terms than those offered by BN Finance, but this was not achieved in the time available.

- 12.6 The property loan secured over the Scunthorpe Property owned by Thompson Martin Group was the subject of an exchange of contracts effected shortly before the making of the Administration Orders providing for a sale to a fourth new company. This company paid a fair value for the property as determined by CB Richard Ellis and extinguished the debt due to HSBC Bank.
- 12.7 It was important that the liabilities to HSBC Bank and HSBC Invoice Finance were settled in full prior to the Administrations, as they were both entitled to appoint an Administrative Receiver. I do not believe such action would have enabled the successful restructuring of the whole Orb Group in the way it was subsequently done.
- 12.8 Orb Commercial and Orb Warehousing acting by their Administrator entered into a contract that provided for the transfer of the goodwill, business and assets of each company together with a contract for the transfer of all the properties owned by Orb Warehousing and Orb Commercial. As previously indicated, these properties were subject to the Securitised Loan managed by MSMS. The total amount of the Securitised Loan as at the date of the demand for repayment made on 12 June 2003 was approximately £81.9 million. The Investors using two newly formed BVI companies agreed to take on the entire Securitised Loan so that the Loan was novated from Orb Commercial and Orb Warehousing to the two new BVI companies.
- 12.9 Because the valuation reports prepared by CB Richard Ellis were not available in a finalised written form, for another 14 days after the administration, an agreement was reached with the Investors as to the manner in which the consideration was to be calculated. I was concerned to ensure that the substantial property assets were not sold at an undervalue. I needed to be satisfied that any offer made by the investors represented the best alternative to the creditors as a whole of both Orb Commercial and Orb Warehousing. I had already discussed with Richard Ellis the prospects of seeking to achieve a piecemeal disposal of these properties. They advised me that it would take several years to realise anywhere near the full market value of these properties. In the interim, the amounts due in respect of the Securitised Loan continued to increase. This should be set against the background of Group companies that was then not being effectively managed. One of the properties was empty and I was concerned that there was potential that the properties were not being adequately maintained and the position of both the secured and unsecured creditors was being prejudiced.
- 12.10 Against the same background, the Investors had proposed an offer to me that provided that they would agree to novate the entire liability for the Securitised Loan and to take on the costs and expense of managing the entire property portfolio. In consideration for this and on the basis that Administration Orders were made, MSMS had agreed that they would not take steps to enforce the security, and not to invoke the termination charges of some £6 million, if the loan was rolled forward and was then maintained in accordance with the terms of the Securitised Loan. MSMS had indicated that while they would not for obvious reasons give any waiver of the breaches of the Securitised Loan committed by Orb Warehousing and Orb Commercial, they would not seek to enforce their remedies for breach as against the new BVI companies as long as the interest payments were serviced on an ongoing basis and all other continuing obligations under the Securitised Loan were maintained. In these circumstances the liability for the £6 million Termination Charge became only a contingent liability for the purchasers rather than an actual liability of Orb Warehousing and Orb Commercial. This, in my view, provided a better realisation of assets and produced a better return for the Bond Holders.
- 12.11 Leaving aside the £6m default provisions, the amount of the Securitised Loan outstanding was then about £71 million. As part of the terms of the Securitised Loan, Escrow accounts had to be maintained which were controlled by MSMS on behalf of the Bond Holders. The

amount then standing to the credit of the Escrow accounts was £6 million. If this was deducted from the Securitised Loan of £71 million, then the existing exposure and actual liability adopted by the new BVI companies was at least £65 million. I considered whether the offer made by the Investors was in the best interests of creditors. I considered it was for the following reasons:-

12.11.1 The prospects of embarking upon a property disposal programme against the background of the difficulties encountered by the Group as described by me earlier in this report would mean that there was a very significant risk that the Bond Holders would suffer a very material loss and it would greatly increase the prospects that no other class of creditor would achieve any recovery.

12.11.2 MSMS were supportive of the Investors' plans to turn around the management and development of the properties and I believed that if this arrangement was not implemented then MSMS would have no choice other than to appoint Receivers.

12.11.3 Although a pre-packaged arrangement looked on the face of it unattractive due to the fact that the properties had not been exposed to the market, the indicative expert opinion of Richard Ellis suggested the value was well below the principal amount of £71m. They therefore informed me that no better return would be achieved by such exposure and indeed it was likely that in fact a considerable deficit might have been suffered on realisation of the properties.

12.11.4 As I have already mentioned several times in this report the impact of the rescue plan on the trading businesses of Seafeld and Thompson Martin could not be underestimated. The Investors were only prepared to proceed with the proposals that I have outlined above if they could be satisfied that the entire and complete strategy was implemented. The alternative for me as Administrator would have been to seek to trade on these businesses and achieve a better value on the open market. I believe this would have had a very negative impact on certainly Orb Warehousing and very probably Orb Commercial, in conjunction with Seafeld and Thompson Martin.

12.12 Therefore the first stage of the Administration strategy was to ring fence and protect the business and assets of the five companies Seafeld, Thompson Martin, Thompson Martin Group, Orb Warehousing and Orb Commercial.

13. Comparison of outcome

13.1 As part of my Rule 2.2 report to the Court, accompanying the petition for the administration, I prepared an estimated comparison of outcome between terminal insolvency and the deal which is outlined above. It is important to emphasise that this was an estimate only, and should be considered with the comments set out below. The deal has resulted in much higher asset realisations as follows:

Comparison of Realisations	Terminal Insolvency £	Proposed Deal Structure £	Improvement in Outcome £
Orb Commercial	45,665,256	46,273,787	608,531
Orb Warehousing	22,800,512	36,095,571	13,295,059
Thompson Martin	1,954,961	2,450,872	495,911
Seafeld Holdings	1,405,488	2,851,318	1,445,830
Thompson Martin Group	308,000	340,000	32,000
TOTAL	72,134,217	88,011,548	15,877,331

13.2 I must stress that at the time I assumed for prudence that there would be no realisation of intercompany receivables. The intercompany position is being investigated in more detail in the administration.

14. Poole Pottery

- 14.1 Orb Estates is the largest creditor in Poole Pottery Limited, which is a subsidiary of Orb Estates, and is also in administration. Keith Goodman of Leonard Curtis is the administrator. The liability to Orb Estates is estimated at £1.7m.
- 14.2 The administrators of Poole Pottery Limited are in the process of selling the business and assets of the company. Following this sale, Orb Estates should be entitled to a dividend arising from the intercompany loan. It is difficult to estimate the exact return to Orb Estates until the sale of Poole Pottery has been concluded. However, I am in discussion with the company's administrators and from these discussions have calculated that the return to Orb Estates should be at least £300,000.

15. Izodia Plc

- 15.1 I have met with Jones Day Gouldens, solicitors to Izodia Plc, to discuss the potential claims by Izodia against Orb Estates and its subsidiaries. There is an allegation of a claim against Mitre, estimated to be £11m, and I intend to investigate the position further. I will give an up to date report on the position at the creditors meeting.

16. Thistle Hotels Limited

- 16.1 A claim and counterclaim was bought in respect of Thistle Hotels Limited and a number of defendants of which Orb Estates is one. English Law allows a defendant (Thistle Hotels), even where there is a counter claim, to claim security for costs in the event that an insolvent company (Orb Estates) cannot meet any cost award made against it.
- 16.2 Solicitors for Thistle Hotels, Clifford Chance, are demanding £2m for security of costs. I am currently investigating the position and liaising with Clifford Chance. I currently seeking legal advice on this aspect.

17. Other Issues

17.1 Nairn US Holdings Inc

Nairn US Holding Inc ("Nairn") is a subsidiary of Orb Estates. At the date of the administration order Nairn held an interest in one remaining property in the United States. I consented to a transaction that was already in progress on 11 July 2003, which resulted in a return to Nairn of US\$65,000. On completion of this transaction, US\$35,000 (£21,442) was remitted to Orb Estates as part of its intercompany balance with Nairn. The balance of the funds will be retained by Aegis Reality Consultants Inc, consultants involved in this transaction, for the winding up costs of the Nairn US companies. I expect the actual winding up costs to be less than US\$30,000 and any surplus will be remitted to Orb Estates at a later date.

17.2 Other Property Transactions

I have held meetings with the director of Orb Estates, Steve Johnstone, and former director Gerald Smith regarding various other property related transactions that happened prior to my appointment as administrator. As a result of these meetings I am investigating these transactions in more detail in order to establish whether there are potential realisations arising from these transactions.

17.3 Other Intercompany Receivables

I am in the process of investigating all other intercompany receivables between Orb Estates (and its subsidiaries) and companies that were previously in the Orb a.r.b. group.

I have now set up meetings with the appropriate representatives of these previously related companies and will be investigating the recovery of all such balances into Orb Estates (and its subsidiaries).

18. Changes to this Report

This report has been drafted on 12 September 2003. The next 2 weeks will result in further developments which may affect the content of this report. I will therefore update creditors at the creditors' meeting of any material changes.

19. Summary and Conclusions

- 19.1 The sale of the business and assets of Seafield and Thompson Martin has been successfully concluded and most of the deferred consideration is expected to be received before the creditors' meeting.
- 19.2 The sale of the business, assts and properties of Orb Commercial and Orb Warehousing has been successfully concluded.
- 19.3 Realisations of furniture and equipment in Orb Estates have been concluded.
- 19.4 Debtors collection in Seafield have been satisfactory, with 75% of the total debtors already received.
- 19.5 Debtors collection in Thompson Martin will only take effect after BN Finance have been paid in full under this agreement with the company. Collections by BN Finance have been in line with expectations and, with continued focus, will improve over the next two months.
- 19.6 Investigations have commenced with respect to the claims by Izodia against Orb Estates and the claim by, (and against) Thistle Hotels against Orb Estates (and other defendants).
- 19.7 Investigations have commenced with respect to maximising realisations from other property transactions and potential recoveries from intercompany balances both in Orb Estates Group and with companies that were previously in the Orb a.r.l. group.
- 19.8 I consider the administration to be progressing well in achieving its objectives.

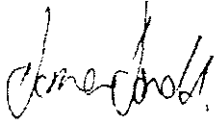
20. Administrator's Proposals Payment to Section 23 of the Insolvency Act 1986

The realisations to be proposed at the creditors' meeting are to:

- 20.1 Approve the actions taken by me as administrator as detailed in this report.
- 20.2 Approve the basis of my remuneration on a time charge basis.

20.3 Appoint a creditors committee if appropriate.

In respect of the formation of a Creditors Committee, I would welcome a debate at the creditors meetings as to the requirements for a committee and if it is resolved that one should be formed then careful consideration will need to be given to the composition of such committee or committees and the business that each should consider in the light of the complex inter-relationship between the companies and the many issues that remain to be investigated that are detailed in this report.



Douglas MacDonald

Administrator of:

**Orb Estates Plc
Mitre Property Management Ltd
Commercial Portfolio Management Ltd
Ellard Construction Limited
Eyton Investments Limited
Royton industries Limited
Orb Commercial Limited
Orb Warehousing limited**

APPENDIX 1

STATUTORY INFORMATION

APPENDIX 1.1

STATUTORY INFORMATION

Company Number 552331

Name ORB ESTATES PLC

Previous Name Ossory Estates plc
Stewart Nairn Group plc
Stewart Nairn Group plc (the)

Registered Office Albemarle House
1 Albemarle Street
London
W1S 4HA

Directors Charles Helvert App - 09/10/98
Mitchell Higgins App - 29/12/93
Steven Johnstone App - 01/08/01
Roger Taylor App - 29/09/00

Company Secretary Walgate Services App - 09/10/98

Share Capital 39,601,181 ordinary shares of 50p each

Shareholders Orb Securities Ltd

Registered Charges

Name of Charge holder	Description	Date Created	Date Registered
Barclays bank plc*	Legal charge	08/03/88	17/03/88
Royal Bank of Scotland International Ltd*	Third party legal charge	17/01/01	20/01/01
Royal Bank of Scotland International Ltd*	Third party general security assignment over agreement for lease	17/01/01	20/01/01
Royal Bank of Scotland International Ltd*	Security interest agreement deposit with bank	14/06/01	16/06/01
Royal Bank of Scotland International Ltd*	Charge over end user contracts	22/08/01	24/08/01
Royal Bank of Scotland International Ltd*	Security interest agreement deposit with bank	02/01/02	03/01/02
Alismoor Ltd*	Memorandum of deposit and charge over securities (third party liabilities)	11/11/02	20/11/02
Alismoor Ltd*	Memorandum of deposit and charge over securities (own liabilities)	11/11/02	20/11/02

* All Satisfied

APPENDIX 1.2**STATUTORY INFORMATION**

Company Number 4253972

Name COMMERCIAL PORTFOLIO MANAGEMENT LTD

Previous Name Pondset 4 Ltd
ORB Hotels Management Poole Ltd

Registered Office Albemarle House
1 Albemarle Street
London
W1S 4HA

Directors Steven Johnstone App – 08/11/01
 Gerald Muldoon App – 17/07/01

Company Secretary Walgate Services App - 17/07/01

Share Capital 1 ordinary share of £1

Shareholders Orb Estates plc

Registered Charges

Name of Charge holder	Description	Date Created	Date Registered
Bristol & West *	Mortgage	16/11/01	23/11/01
Bristol & West *	Deed of rental assignment	16/11/01	30/11/01

* All satisfied

APPENDIX 1.3

STATUTORY INFORMATION

Company Number 306438

Name MITRE PROPERTY MANAGEMENT LTD

Previous Name St Bernard's Park Ltd

Registered Office Albemarle House
1 Albemarle Street
London
W1S 4HA

Directors Steven Johnstone App - 08/11/01
Gerald Muldoon App - 18/04/98

Company Secretary Walgate Services App - 24/11/99

Share Capital 5000 ordinary shares of £1 each

Shareholders Orb Estates plc

Registered Charges

Name of Charge holder	Description	Date Created	Date Registered
Barclays Bank plc*	Legal Charge	24/10/72	31/10/72
Midland Bank plc*	Mortgage	04/11/74	12/11/74
Midland Bank plc**	Mortgage	28/11/74	04/12/74
Midland Bank plc*	Mortgage	04/11/74	12/11/74
Midland Bank plc*	Legal Charge	29/09/83	04/10/83
Midland Bank plc*	Legal Charge	03/07/84	09/07/84
Midland Bank plc*	Legal Charge	03/07/84	09/07/84
Midland Bank plc*	Legal Charge	03/07/84	09/07/84
Midland Bank plc*	Legal Charge	03/07/84	09/07/84
Midland Bank plc*	Fixed & Floating	03/12/91	10/12/91
The Royal Bank of Scotland International Ltd*	Debenture	14/06/01	16/06/01
The Royal Bank of Scotland International Ltd*	Security interest agreement deposit with bank	14/06/01	16/06/01

* All Satisfied

APPENDIX 1.4**STATUTORY INFORMATION**

Company Number	909361	
Name	ROYTON INDUSTRIES LTD	
Previous Name	Coin Controls Ltd	
Registered Office	Albemarle House 1 Albemarle Street London W1S 4HA	
Directors	Gerald Muldoon	App - 17/03/01
Company Secretary	Walgate Services	App - 20/11/98
Share Capital	50,636 ordinary shares of £1	
Shareholders	Orb Estates plc	
Registered Charges	None	

APPENDIX 1.5**STATUTORY INFORMATION**

Company Number 1056297

Name ELLARD CONSTRUCTION LTD

Previous Name N/A

Registered Office Albemarle House
 1 Albemarle Street
 London
 W1S 4HA

Directors Gerald Muldoon App – 12/08/01

Company Secretary Walgate Services App - 20/11/01

Share Capital 20 ordinary shares of 25p each

Shareholders Orb Estates plc

Registered Charges

Name of Charge holder	Description	Date Created	Date Registered
Allied Dunbar Assurance plc *	Deed of release	14/08/86	21/08/86
National Westminster Bank plc *	Legal mortgage	25/09/90	05/10/90

* All satisfied

APPENDIX 1.6**STATUTORY INFORMATION**

Company Number	664566	
Name	EYTON INVESTMENTS LTD	
Previous Name	N/A	
Registered Office	Albemarle House 1 Albemarle Street London W1S 4HA	
Directors	Gerald Muldoon	App – 12/08/01
Company Secretary	Walgate Services	App - 20/11/98
Share Capital	20,000 ordinary shares of £1	
Shareholders	Orb Estates plc	
Registered Charges	None	

APPENDIX 1.7

STATUTORY INFORMATION

Company Number 4192826

Name ORB COMMERCIAL LIMITED

Previous Name Makecash Ltd

Registered Office Albemarle House
1 Albemarle Street
London
W1S 4HA

Directors Charles Helvert App - 19/04/01
John Muldoon App - 19/04/01

Company Secretary Walgate Services App - 19/04/01

Share Capital 1 ordinary share of £1

Shareholders Orb Estates plc

Registered Charges

Name of Charge holder	Description	Date Created	Date Registered
Morgan Stanley Mortgage Servicing Ltd	Debenture	04/05/01	11/05/01
Morgan Stanley Mortgage Servicing Ltd	Supplement debenture which is supplemental to a debenture dated 4 May 2001	06/06/01	12/06/01
Morgan Stanley Mortgage Servicing Ltd	A security interest agreement	22/06/01	03/07/01

APPENDIX 1.8**STATUTORY INFORMATION**

Company Number 4199113

Name ORB WAREHOUSING LIMITED

Previous Name Lastpoint Ltd

Registered Office Albemarle House
 1 Albemarle Street
 London
 W1S 4HA

Directors Charles Helvert App - 19/04/01
 John Muldoon App - 19/04/01

Company Secretary Walgate Services App - 19/04/01

Share Capital 1 ordinary share of £1

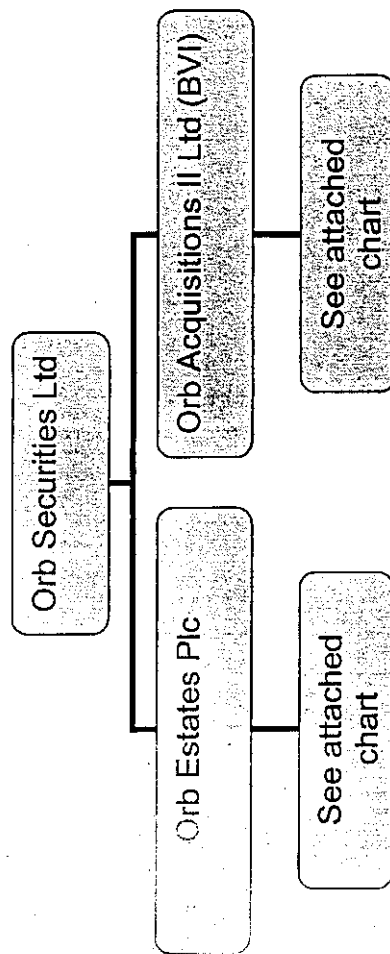
Shareholders Orb Estates plc

Registered Charges

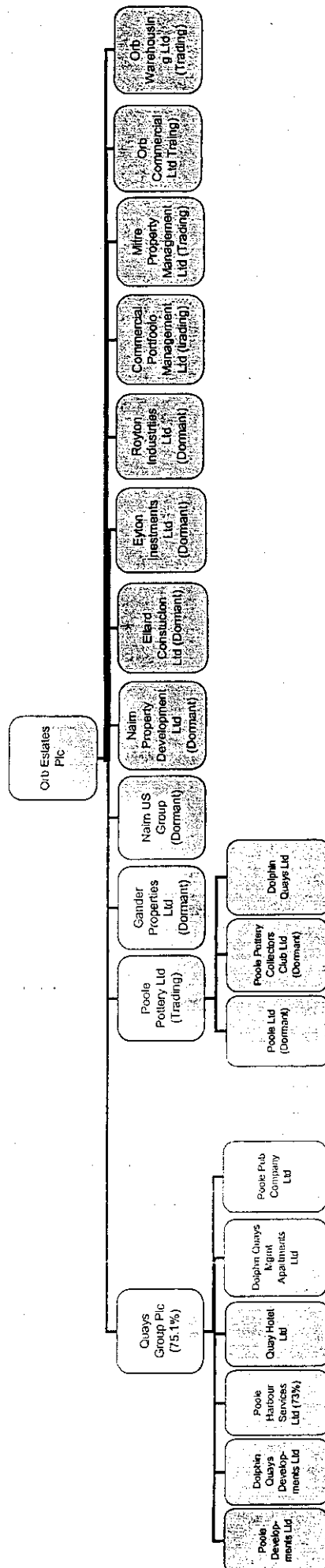
Name of Charge holder	Description	Date Created	Date Registered
Morgan Stanley Mortgage Servicing Ltd	Debenture	04/05/01	11/05/01
Morgan Stanley Mortgage Servicing Ltd	A security interest agreement	22/06/01	03/07/01

APPENDIX 2
GROUP STRUCTURE

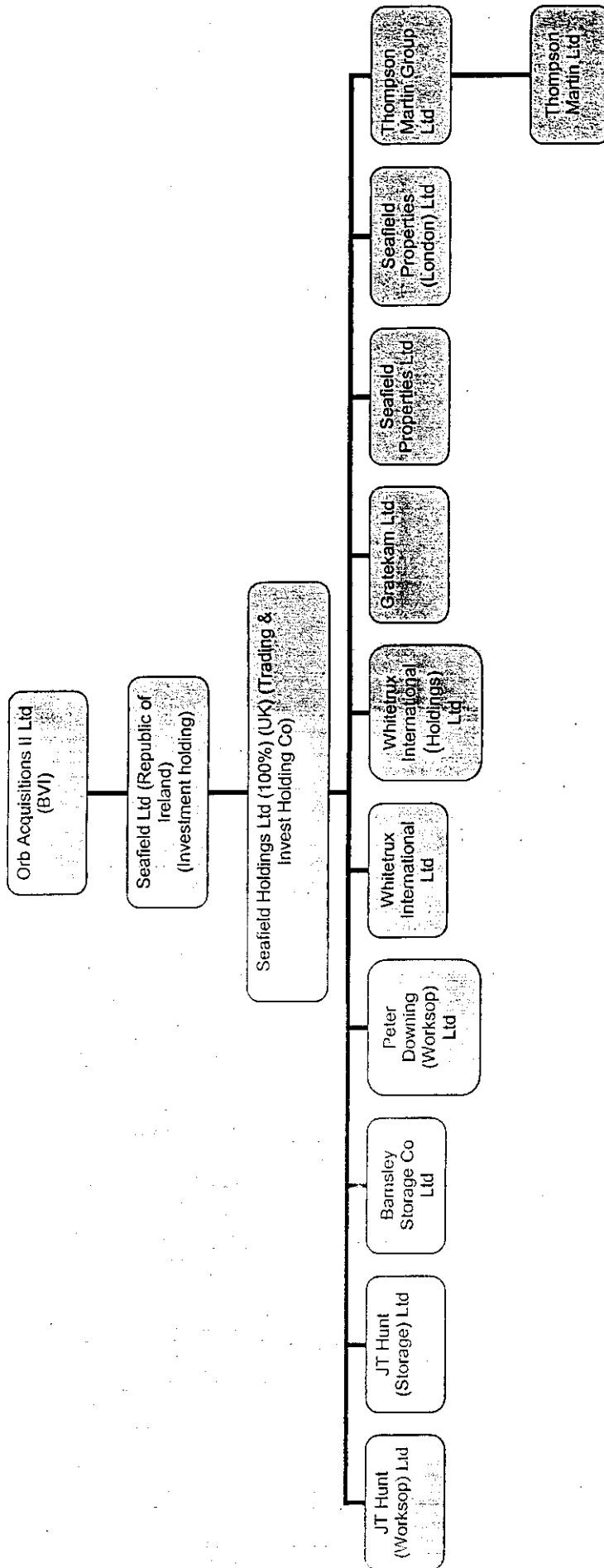
**GROUP STRUCTURE OF ORB SECURITIES LIMITED
(BVI)**



GROUP STRUCTURE OF ORB ESTATES PLC



GROUP STRUCTURE OF SEAFIELD



APPENDIX 3

EXTRACTS FROM AUDITED ACCOUNTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT**For the year ended 30 June 2002**

	Notes	2002 £'000	2001 £'000
TURNOVER	1	20,785	24,471
Cost of sales		(9,134)	(14,079)
GROSS PROFIT		11,651	10,392
Total administrative expenses		(12,086)	(5,153)
-Other		(9,300)	(5,153)
-Exceptional		(2,786)	-
OPERATING (LOSS)/PROFIT	2	(435)	5,239
Profit on sale of group properties		8,996	-
Profit/(loss) on sale of investment properties		634	(1,481)
Profit/(loss) on sale of investments		(1,494)	(1,256)
Permanent diminution in value of investment properties and investments		(3,777)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		6,912	2,502
Investment income		2	2
Net interest payable and similar charges	5	(8,442)	(11,009)
Release of convertible loan note financial liability		-	2,387
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,528)	(6,118)
Taxation credit on profit/(loss) on ordinary activities	6	-	11
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(1,528)	(6,107)
Equity minority interests	21	229	675
Non-equity minority interests	21	-	6
LOSS FOR THE FINANCIAL YEAR	20	(1,299)	(5,426)

The notes on pages 10 to 33 form part of these financial statements.

ORB ESTATES PLC

BALANCE SHEETS

At 30 June 2002

	Notes	Group		Company	
		2002	2001	2002	2001
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets - Goodwill	7	-	1,898	-	-
Fixed asset properties	8	123,685	157,815	29,250	27,850
Other tangible assets	9	7,267	6,948	581	641
Fixed asset investments	10	4,450	425	76,505	8,575
		<u>135,402</u>	<u>106,336</u>	<u>108,211</u>	<u>37,066</u>
CURRENT ASSETS					
Stocks	11	1,130	1,096	-	-
Development properties held for resale	12	25,306	15,416	8,085	8,085
Debtors	13	63,882	33,531	94,456	1,164
Secured cash deposits	14	7,554	1,678	130	1,314
Cash at bank and in hand		555	866	4	506
		<u>98,427</u>	<u>52,587</u>	<u>102,675</u>	<u>11,069</u>
CREDITORS: amounts falling due within one year					
Limited recourse loans	15	(32)	(40)	(32)	(40)
Other creditors	15	(34,284)	(23,429)	(154,318)	(6,105)
		<u>(34,316)</u>	<u>(23,469)</u>	<u>(154,350)</u>	<u>(6,145)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>64,111</u>	<u>29,118</u>	<u>(51,675)</u>	<u>4,924</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>199,513</u>	<u>196,204</u>	<u>54,661</u>	<u>41,990</u>
CREDITORS: amounts falling due after more than one year					
	16	(148,664)	(144,362)	(16)	-
NET ASSETS		<u>50,849</u>	<u>51,842</u>	<u>54,645</u>	<u>41,990</u>
CAPITAL AND RESERVES					
Called up share capital	18	19,801	19,801	19,801	19,801
Share premium account	19	1,388	1,388	1,388	1,388
Revaluation reserve	20	28,337	33,049	14,037	15,125
Limited recourse reserve	20	2,493	2,485	2,493	2,485
Profit and loss account	20	(1,127)	(5,066)	16,926	3,191
Equity shareholders' funds		<u>50,892</u>	<u>51,657</u>	<u>54,645</u>	<u>41,990</u>
Minority interests (non-equity)	21	-	191	-	-
Minority interests (equity)	21	(43)	(6)	-	-
		<u>50,849</u>	<u>51,842</u>	<u>54,645</u>	<u>41,990</u>

These financial statements were approved by the Board of Directors on 2002 and were signed on its behalf by:

Steven Johnstone
Finance Director

The notes on pages 10 to 33 form part of these financial statements.

Consolidated Profit and Loss Account

for the year ended 31 December 2001

	Notes	2001 £000	2000 £000
Turnover			
-Acquired	2	1,462	-
-Continuing operation		14,639	13,286
		<u>16,101</u>	<u>13,826</u>
Cost of sales		(15,059)	(11,401)
Gross profit		<u>1,042</u>	<u>2,425</u>
Administrative expenses - normal	3	(4,088)	(917)
- exceptional	5	(30,555)	(301)
		<u>(34,643)</u>	<u>(1,218)</u>
Operating (loss)/profit	3,4		
-Acquired		(211)	-
-Continuing operation		(33,390)	1,207
		<u>(33,601)</u>	<u>1,207</u>
Profit on sale of properties	22(a)	23,709	-
Interest receivable	6	707	-
Interest payable	7	(270)	(692)
		<u>(9,455)</u>	<u>515</u>
(Loss)/profit before taxation on ordinary activities			
Taxation on (loss)/profit on ordinary activities	8	61	-
		<u>(9,394)</u>	<u>515</u>
Retained (loss)/profit for the year	21		
		<u>(9,394)</u>	<u>515</u>
		2001 £000	2000 £000
Note of Historical Cost Profits and Losses			
Operating (loss)/profit on ordinary activities before taxation		(9,394)	515
Difference between historical cost and actual depreciation for the year		-	23
Realisation of valuation gains of prior years		1,731	-
		<u>(7,663)</u>	<u>538</u>
Historical cost (loss)/profit on ordinary activities before taxation			
		<u>(7,663)</u>	<u>538</u>
Historical cost (loss)/profit on ordinary activities after taxation			
		<u>(7,663)</u>	<u>538</u>
The notes on pages 10 to 21 form part of these financial statements.			

Balance Sheets

for the year ended 31 December 2001

		Group		Company	
	Notes	2001 £000	2000 £000	2001 £000	2000 £000
Fixed Assets					
Intangible assets	10	620	-	-	-
Tangible assets	11	4,648	20,168	-	6,545
Investments	12	30	-	9,059	9,059
		<u>5,298</u>	<u>20,168</u>	<u>9,059</u>	<u>15,604</u>
Current Assets					
Stocks - consumables		92	41	-	-
Debtors	13	5,325	2,449	-	2
Cash at bank and in hand		240	5	2	3
		<u>5,657</u>	<u>2,495</u>	<u>2</u>	<u>5</u>
Creditors: amounts falling due within one year	14	(5,217)	(3,430)	(2)	(35)
Net current assets/(liabilities)		<u>440</u>	<u>(935)</u>	<u>-</u>	<u>(30)</u>
Total assets less current liabilities		<u>5,738</u>	<u>19,233</u>	<u>9,059</u>	<u>15,574</u>
Creditors: amounts falling due after more than one year	15	(1,884)	(5,985)	(20,877)	(4,161)
Net Assets		<u>3,854</u>	<u>13,248</u>	<u>(11,818)</u>	<u>11,413</u>
Capital and Reserves	21				
Called up share capital		2,889	2,889	2,889	2,889
Share premium account		6,857	6,857	6,857	6,857
Profit and loss account		(5,892)	1,771	(11,564)	979
Revaluation reserve		-	1,731	-	998
Equity shareholders' funds/(deficit)		<u>3,854</u>	<u>13,248</u>	<u>(11,818)</u>	<u>11,413</u>

On behalf of the Board

Samuel Nolan
Chairman

Charles Helvert
Director

2003

The notes on page 10 to 21 form part of these financial statements.

APPENDIX 4

ESTIMATED STATEMENT OF AFFAIRS

Orb Estates Plc
Statement of Affairs as at 9 July 2003

	Orb Estates Plc			Ellard Construction Ltd			Eyton Investments Ltd			
	Holding Company									
	Overall assump.	Book value £	Realis % (est)	Estimated to realise £	Book value £	Realis % (est)	Estimated to realise £	Book value £	Realis % (est)	Estimated to realise £
Secured assets	100%									
Property										
Freehold Property	100%	0	100%	0	0	100%	0	0	100%	0
Leasehold Property	100%	0	100%	0	0	100%	0	0	100%	0
Yacht Haven Poole	100%	0	100%	0	0	100%	0	0	100%	0
Thistle Hotel Poole	100%	0	100%	0	0	100%	0	0	100%	0
Dolphin Quays Retail	100%	0	100%	0	0	100%	0	0	100%	0
WIP Residential	100%	0	100%	0	0	100%	0	0	100%	0
Secured cash	100%	0	100%	0	0	100%	0	0	100%	0
		0		0	0		0	0		0
Fees and Expenses	6%		6%	0		6%	0		6%	0
				0			0			0
Secured Creditors										
Bank loans and overdrafts		0		0	0		0	0		0
Stevenson Family		0		0	0		0	0		0
Morgan Stanley										
Morgan Stanley - cross company				0			0			0
Specifically pledged assets										
Motor Vehicles/Plant & Machinery	75%		75%	0		75%	0		75%	0
Finance leases		0		0	0		0	0		0
				0			0			0
Specifically pledged assets										
Debtors	80%		80%	0		80%	0		80%	0
Factoring				0			0			0
Surplus/(Deficit) on Fixed Charged Assets				0			0			0
Other assets										
Surplus on specifically pledged assets				0			0			0
Leasehold Improvements	0%	275,853	0%	0	0	0%	0	0	0%	0
Fixtures, Fittings & Equipment	10%	164,478	10%	16,448	0	10%	0	0	10%	0
Plant & Machinery	10%	0	10%	0	0	10%	0	0	10%	0
Computer Equipment	10%	40,924	10%	4,092	0	10%	0	0	10%	0
Motor Vehicles	50%	18,168	50%	9,084	0	50%	0	0	50%	0
Chattels	10%	0	10%	0	0	10%	0	0	10%	0
Investments in subsidiaries	0%	102,365,120	0%	0	0	0%	0	0	0%	0
Stock & WIP	10%	0	10%	0	0	10%	0	0	10%	0
Trade debtors	50%	181,720	0%	0	0	50%	0	0	50%	0
Interco debtors (see calculation below)		34,788,983		781,300			0			0
Other "group" debtors (see calculation below)		38,468,184		0			0			0
Prepayments	0%	33,391	0%	0	0	0%	0	0	0%	0
Cash	100%	0	100%	0	0	100%	0	0	100%	0
Old Orchard option	0%	0	0%	0	0	0%	0	0	0%	0
Lynch Talbot	0%	8,626,084	0%	0	0	0%	0	0	0%	0
Other debtors	0%	0	0%	0	0	0%	0	0	0%	0
		182,962,903		810,924			0			0
Fees and Expenses	10%		10%	(81,092)		10%	0		10%	0
Available for preferential creditors				729,831			0			0
Preferential creditors										
VAT				0			0	0		0
PAYE/NI		(117,127)		0			0	0		0
Employees (estimate only)	£800	(8,800)		0			0	0		0
				(125,927)			0			0
Available for shortfall on secured				603,904			0			0
Secured creditors - shortfall				0			0			0
Available for unsecured creditors				603,904			0			0
Unsecured creditors										
Trade creditors		(3,165,640)		0			0	0		0
Interco creditors		(96,334,042)		0			0	0		0
Other "group" creditors		(9,877,125)		0			0	0		0
Corporation tax		(11,250)		0			0	0		0
Purchasers deposits		0		0			0	0		0
Accruals and deferred income		(89,912)		0			0	0		0
Old Orchard option		(8,550,000)		0			0	0		0
Izodia reverse premium		(4,043,546)		0			0	0		0
Contingent creditors		(1,800,000)		0			0	0		0
VAT - unsecured		(4,958,899)		0			0	0		0
Other creditors		(188,633)		0			0	0		0
Shortfall on specifically pledged assets										
Employees (estimate only)	£800	(8,800)								
				(128,807,847)			0			0
				(128,203,943)			0			0
Shareholders		(37,718,661)		(5)			(20,000)			(20,000)
				(37,718,661)			(5)			(20,000)
Total deficiency				(165,922,604)			(5)			(20,000)

Orb Estates Plc
Statement of Affairs as at 9 July 2003
Notes on Guarantees & Other Issues

Largest "group" debtors are £21m to Orb Dormant company, but charges registered Securities (BVI) and £11m to Orb in favour of Allied Dunbar Assurance plc Acquisitions II Ltd. The latter is the holding company of the Seafield companies, which are trading companies but not part of Orb Estates Plc.

Refer to notes on guarantees given by Orb Estates Plc in:

Poole Developments Ltd (RBS)
Orb Hotels Poole Ltd (HBOS)
Poole Harbour Services Ltd (Other)

Estimate % return for creditors

Secured creditors - 100% return (y/n)
Secured creditors
Preferential creditors
Unsecured creditors

n
n/a
100.00%
0.47%

n
n/a
n/a
n/a

n
n/a
n/a
n/a

Intercompany Debtors due to Orb Estates plc	% return under individual company statement of affairs	% return under individual company statement of affairs			% return under individual company statement of affairs			% return under individual company statement of affairs		
		Amount due as per inter company reconciliations	Amount recovered		Amount due as per inter company reconciliations	Amount recovered		Amount due as per inter company reconciliations	Amount recovered	
Orb Estates Plc	0.5%		n/a		0%	0		0%	0	
Quays Group Plc	0.0%		0		0%	0		0%	0	
Poole Developments Ltd	0.0%		0		0%	0		0%	0	
Dolphin Quays Developments Ltd	0.0%		0		0%	0		0%	0	
Poole Harbour Services Ltd	63.9%	851,212	543,538		0%	0		0%	0	
Quay Hotel Ltd	0.0%		0		0%	0		0%	0	
Orb Hotels Poole Ltd	73.9%		0		0%	0		0%	0	
Dolphin Quays Management Apartments	0.0%		0		0%	0		0%	0	
Poole Pub Company Ltd	0.1%		0		0%	0		0%	0	
Gander Properties Ltd	100.0%		0		0%	0		0%	0	
Naim US Group	0.7%	4,383,758	28,959		0%	0		0%	0	
Naim Property Development Ltd	3.3%	4,604,885	150,527		0%	0		0%	0	
Orb Property Management Ltd	0.0%		0		0%	0		0%	0	
Poole Pottery Ltd	1.5%	1,920,861	30,287		0%	0		0%	0	
Poole Ltd	0.0%		0		0%	0		0%	0	
Poole Pottery Collectors Club Ltd	0.0%		0		0%	0		0%	0	
Dolphin Quays Ltd	1.5%	103,979	1,547		0%	0		0%	0	
Ellard Construction Ltd	0.0%		0		0%	n/a		0%	0	
Eyton Investments Ltd	0.0%		0		0%	0		0%	n/a	
Rayton Industries Ltd	0.0%		0		0%	0		0%	0	
Commercial Portfolio Management Ltd	0.0%	70,929	0		0%	0		0%	0	
Mitre Property Management Ltd	0.4%		0		0%	0		0%	0	
Orb Commercial Ltd	0.1%	22,822,678	28,442		0%	0		0%	0	
Orb Warehousing Ltd	0.0%		0		0%	0		0%	0	
Other	0.0%	30,681	0		0%	0		0%	0	
		34,788,983	781,300		0	0		0	0	
Other "Group" Debtors due to Orb Estates plc										
Euro & UK Ltd	0%	18,903	0		0%	0		0%	0	
Gamma Four	0%	0	0		0%	0		0%	0	
Hotel Portfolio II Ltd	0%	3,788,785	0		0%	0		0%	0	
Orb Acquisitions II Ltd	0%	11,801,887	0		0%	0		0%	0	
Orb Securities Ltd	0%	20,858,609	0		0%	0		0%	0	
Seafield Holdings Ltd	3.0%	0	0		0%	0		0%	0	
Seafield Ltd (Ireland)	0.0%	0	0		0%	0		0%	0	
Thompson Martin Group Ltd	1.3%	0	0		0%	0		0%	0	
Thompson Martin Ltd	0.0%	0	0		0%	0		0%	0	
		38,468,184	0		0	0		0	0	

Orb Estates Plc
Statement of Affairs as at 9 July 2003

	Royton Industries Ltd			Commercial Portfolio Management Ltd			Mitre Property Management Ltd		
							Management company		
	Book value £	Realis % (est)	Estimated to realise £	Book value £	Realis % (est)	Estimated to realise £	Book value £	Realis % (est)	Estimated to realise £
Secured assets									
Property									
Freehold Property	0	100%	0	0	100%	0	0	100%	0
Leasehold Property	0	100%	0	0	100%	0	0	100%	0
Yacht Haven Poole	0	100%	0	0	100%	0	0	100%	0
Thistle Hotel Poole	0	100%	0	0	100%	0	0	100%	0
Dolphin Quays Retail	0	100%	0	0	100%	0	0	100%	0
WIP Residential	0	100%	0	0	100%	0	0	100%	0
Secured cash	0	100%	0	0	100%	0	0	100%	0
	0		0	0		0	0		0
Fees and Expenses		6%	0		6%	0		6%	0
			0			0			0
Secured Creditors									
Bank loans and overdrafts	0			0			0		
Stevenson Family									
Morgan Stanley	0			0			0		
Morgan Stanley - cross company									
			0			0			0
Specifically pledged assets									
Motor Vehicles/Plant & Machinery		75%	0		75%	0		75%	0
Finance leases	0		0	0		0	0		0
			0			0			0
Specifically pledged assets									
Debtors		80%	0		80%	0		80%	0
Factoring			0			0			0
			0			0			0
Surplus/(Deficit) on Fixed Charged Assets			0			0			0
Other assets									
Surplus on specifically pledged assets			0			0			0
Leasehold Improvements	0	0%	0	0	0%	0	0	0%	0
Fixtures, Fittings & Equipment	0	10%	0	0	10%	0	0	10%	0
Plant & Machinery	0	10%	0	0	10%	0	0	10%	0
Computer Equipment	0	10%	0	0	10%	0	0	10%	0
Motor Vehicles	0	50%	0	0	50%	0	0	50%	0
Chattels	0	10%	0	0	10%	0	0	10%	0
Investments in subsidiaries	0	0%	0	0	0%	0	0	0%	0
Stock & WIP	0	10%	0	0	10%	0	0	10%	0
Trade debtors	0	50%	0	0	50%	0	17,669	50%	8,835
Interco debtors (see calculation below)	0		0	10,420		0	15,068,442		72,612
Other "group" debtors (see calculation below)	0		0			0	2,443,500		0
Prepayments	0	0%	0	0	0%	0	0	0%	0
Cash	0	100%	0	0	100%	0	0	100%	0
Old Orchard option	0	0%	0	0	0%	0	0	0%	0
Lynch Talbot	0	0%	0	0	0%	0	0	0%	0
Other debtors	0	0%	0	0	0%	0	115,047	0%	0
	0		0	10,420		0	17,644,658		81,447
Fees and Expenses		10%	0		10%	0		10%	(8,145)
Available for preferential creditors			0			0			73,302
Preferential creditors									
VAT	0			33			0		
PAYE/NI	0			(8,237)			0		
Employees (estimate only)	0			(5,600)			0		
			0			(13,804)			0
Available for shortfall on secured			0			(13,804)			73,302
Secured creditors - shortfall			0			0			0
Available for unsecured creditors			0			(13,804)			73,302
Unsecured creditors									
Trade creditors	0			(1,074)			(6,340)		
Interco creditors	0			(70,329)			(16,897,712)		
Other "group" creditors	0			0			(5,733)		
Corporation tax	0			0			0		
Purchasers deposits	0			0			0		
Accruals and deferred income	0			0			0		
Old Orchard option	0			0			0		
Izodia reverse premium	0			0			0		
Contingent creditors									
VAT - unsecured									
Other creditors	0			(825)			(123,194)		
Shortfall on specifically pledged assets									
Employees (estimate only)			0	(5,600)					(17,032,979)
			0			(78,428)			(16,959,677)
			0			(92,232)			
Shareholders	(89,184)			(1)			(5,000)		(5,000)
			(89,184)			(1)			(5,000)
Total deficiency			(89,184)			(92,233)			(16,964,677)

Orb Estates Plc
Statement of Affairs as at 9 July 2003

Royton Industries Ltd	Commercial Portfolio Management Ltd	Mitre Property Management Ltd
-----------------------	-------------------------------------	-------------------------------

Notes on Guarantees & Other Issues

Charges registered in favour of Bristol & West plc.

Charges (old) registered in favour of Midland Bank and Barclays Bank. More recent charges registered to RBS.

Estimate % return for creditors

Secured creditors - 100% return (y/n)

Secured creditors

Preferential creditors

Unsecured creditors

n

n/a

n/a

n/a

n

n/a

0.00%

n/a

n

n/a

n/a

0.43%

Intercompany Debtors due to Orb Estates plc	Amount due as per inter company reconciliations	% return under individual company statement of affairs	Amount recovered	Amount due as per inter company reconciliations	% return under individual company statement of affairs	Amount recovered	Amount due as per inter company reconciliations	% return under individual company statement of affairs	Amount recovered
Orb Estates Plc		0%	0		0%	0	14,522,442	1%	72,612
Quays Group Plc		0%	0		0%	0	460,500	0%	0
Poole Developments Ltd		0%	0		0%	0		0%	0
Dolphin Quays Developments Ltd		0%	0		0%	0		0%	0
Poole Harbour Services Ltd		0%	0		0%	0		0%	0
Quay Hotel Ltd		0%	0		0%	0		0%	0
Orb Hotels Poole Ltd		0%	0		0%	0		0%	0
Dolphin Quays Management Apartments Ltd		0%	0		0%	0		0%	0
Poole Pub Company Ltd		0%	0		0%	0		0%	0
Gander Properties Ltd		0%	0		0%	0		0%	0
Naim US Group		0%	0		0%	0		0%	0
Naim Property Development Ltd		0%	0		0%	0		0%	0
Orb Property Management Ltd		0%	0		0%	0		0%	0
Poole Pottery Ltd		0%	0		0%	0		0%	0
Poole Ltd		0%	0		0%	0		0%	0
Poole Pottery Collectors Club Ltd		0%	0		0%	0		0%	0
Dolphin Quays Ltd		0%	0		0%	0	85,500	0%	0
Ellard Construction Ltd		0%	0		0%	0		0%	0
Eyton Investments Ltd		0%	0		0%	0		0%	0
Royton Industries Ltd		0%	n/a		0%	0		0%	0
Commercial Portfolio Management Ltd		0%	0		0%	n/a		0%	0
Mitre Property Management Ltd		0%	0		0%	0		0%	n/a
Orb Commercial Ltd		0%	0	10,420	0%	0		0%	0
Orb Warehousing Ltd		0%	0		0%	0		0%	0
Other		0%	0		0%	0		0%	0
	0		0	10,420		0	15,068,442		72,612
Other "Group" Debtors due to Orb Estates plc									
Euro & UK Ltd	0	0%	0	0	0%	0	0	0%	0
Gamma Four	0	0%	0	0	0%	0	0	0%	0
Hotel Portfolio II Ltd	0	0%	0	0	0%	0	2,336,000	0%	0
Orb Acquisitions II Ltd	0	0%	0	0	0%	0	0	0%	0
Orb Securities Ltd	0	0%	0	0	0%	0	0	0%	0
Seaford Holdings Ltd	0	0%	0	0	0%	0	107,500	0%	0
Seaford Ltd (Ireland)	0	0%	0	0	0%	0	0	0%	0
Thompson Martin Group Ltd	0	0%	0	0	0%	0	0	0%	0
Thompson Martin Ltd	0	0%	0	0	0%	0	0	0%	0
	0		0	0		0	2,443,500		0

Statement of Affairs as at 9 July 2003

	Orb Commercial Ltd			Orb Warehousing Ltd		
	Investment company			Investment company		
	Book value £	Realis % (est)	Estimated to realise £	Book value £	Realis % (est)	Estimated to realise £
Secured assets						
Property						
Freehold Property	47,252,500	Value	31,785,000	45,070,000	Value	24,500,000
Leasehold Property	2,075,000	Value	1,615,000	0	70%	0
Yacht Haven Poole	0	100%	0	0	100%	0
Thistle Hotel Poole	0	100%	0	0	100%	0
Dolphin Quays Retail	0	100%	0	0	100%	0
WIP Residential	0	100%	0	0	100%	0
Secured cash	6,203,256	100%	6,203,256	285,512	100%	285,512
	55,530,756		39,603,256	45,335,512		24,785,512
Fees and Expenses		6%	(2,178,179)		6%	(1,382,103)
			37,425,077			23,403,409
Secured Creditors						
Bank loans and overdrafts	0			0		
Stevenson Family	(40,222,576)			(31,517,114)		
Morgan Stanley	2,797,499			(2,797,498)		
Morgan Stanley - cross company			(37,425,077)			(34,314,613)
Specifically pledged assets						
Motor Vehicles/Plant & Machinery	0	75%	0	0	75%	0
Finance leases	0		0	0		0
Specifically pledged assets						
Debtors	0	80%	0	0	80%	0
Factoring	0		0	0		0
Surplus/(Deficit) on Fixed Charged Assets			0			(10,911,204)
Other assets						
Surplus on specifically pledged assets			0			0
Leasehold Improvements	0	0%	0	0	0%	0
Fixtures, Fittings & Equipment	0	10%	0	0	10%	0
Plant & Machinery	0	10%	0	0	10%	0
Computer Equipment	0	10%	0	0	10%	0
Motor Vehicles	0	50%	0	0	50%	0
Chattels	0	10%	0	0	10%	0
Investments in subsidiaries	0	0%	0	0	0%	0
Stock & WIP	0	10%	0	0	10%	0
Trade debtors	7,364	50%	3,682	0	50%	0
Interco debtors (see calculation below)	9,354,060		31,342	19,707,911		90,394
Other "group" debtors (see calculation below)	0		0	4,248,945		127,468
Prepayments	292,647	0%	0	162,184	0%	0
Cash	0	100%	0	0	100%	0
Old Orchard option	0	0%	0	0	0%	0
Lynch Talbot	0	0%	0	0	0%	0
Other debtors	0	0%	0	0	0%	0
	9,654,071		35,024	24,119,040		217,862
Fees and Expenses		10%	(3,502)		10%	(21,786)
Available for preferential creditors			31,521			196,076
Preferential creditors						
VAT	(4,047)			0		
PAYE/NI	0			0		
Employees (estimate only)	0			0		
			(4,047)			0
Available for shortfall on secured			27,474			196,076
Secured creditors - shortfall			0			(10,911,204)
Available for unsecured creditors			27,474			(10,715,128)
Unsecured creditors						
Trade creditors	(289,961)			(119,860)		
Interco creditors	(22,833,098)			(1,518,669)		
Other "group" creditors	0			(33,948,269)		
Corporation tax	0			0		
Purchasers deposits	0			0		
Accruals and deferred income	(590,873)			(442,167)		
Old Orchard option	0			0		
Izodia reverse premium	0			0		
Contingent creditors						
VAT - unsecured	0			0		
Other creditors	0			0		
Shortfall on specifically pledged assets						
Employees (estimate only)			(23,713,932)			(36,028,965)
			(23,686,458)			(46,744,093)
Shareholders	(205,001)			(250,001)		
			(205,001)			(250,001)
Total deficiency			(23,891,459)			(46,994,094)

Orb Estates Plc

Morgan Stanley
cross company appliesy/n
y

Statement of Affairs as at 9 July 2003

Orb Commercial Ltd

Orb Warehousing Ltd

Notes on Guarantees & Other Issues

Charges registered in favour of Morgan Stanley Mortgage Servicing Ltd.

Largest "group" creditor is £34m owed to the Seafield companies. These are trading companies but not part of Orb Estates Plc. Warehousing acquired properties from Seafield.

Charges registered in favour of Morgan Stanley Mortgage Servicing Ltd.

Estimate % return for creditors

Secured creditors - 100% return (y/n)

Secured creditors

Preferential creditors

Unsecured creditors

n
100.00%
100.00%
0.12%n
68.20%
n/a
n/a

Intercompany Debtors due to Orb Estates plc	% return under			% return under		
	Amount due as per inter company reconciliations	individual company statement of affairs	Amount recovered	Amount due as per inter company reconciliations	individual company statement of affairs	Amount recovered
Orb Estates Plc		0%	0	11,562,202	1%	57,811
Quays Group Plc		0%	0		0%	0
Poole Developments Ltd		0%	0		0%	0
Dolphin Quays Developments Ltd		0%	0		0%	0
Poole Harbour Services Ltd		0%	0		0%	0
Quay Hotel Ltd		0%	0		0%	0
Orb Hotels Poole Ltd		0%	0		0%	0
Dolphin Quays Management Apartments Ltd		0%	0		0%	0
Poole Pub Company Ltd		0%	0		0%	0
Gander Properties Ltd		0%	0		0%	0
Naim US Group		0%	0		0%	0
Naim Property Development Ltd		0%	0		0%	0
Orb Property Management Ltd		0%	0		0%	0
Poole Pottery Ltd		0%	0		0%	0
Poole Ltd		0%	0		0%	0
Poole Pottery Collectors Club Ltd		0%	0		0%	0
Dolphin Quays Ltd		0%	0		0%	0
Ellard Construction Ltd		0%	0		0%	0
Eyton Investments Ltd		0%	0		0%	0
Royton Industries Ltd		0%	0		0%	0
Commercial Portfolio Management Ltd		0%	0		0%	0
Mitre Property Management Ltd	7,835,391	0%	31,342	8,145,709	0%	32,583
Orb Commercial Ltd		0%	n/a		0%	0
Orb Warehousing Ltd	1,518,689	0%	0		0%	n/a
Other		0%	0		0%	0
	9,354,060		31,342	19,707,911		90,394
Other "Group" Debtors due to Orb Estates plc						
Euro & UK Ltd	0	0%	0	0	0%	0
Gamma Four	0	0%	0	0	0%	0
Hotel Portfolio II Ltd	0	0%	0	0	0%	0
Orb Acquisitions II Ltd	0	0%	0	0	0%	0
Orb Securities Ltd	0	0%	0	0	0%	0
Seafield Holdings Ltd	0	0%	0	4,248,945	3%	127,468
Seafield Ltd (Ireland)	0	0%	0	0	0%	0
Thompson Martin Group Ltd	0	0%	0	0	0%	0
Thompson Martin Ltd	0	0%	0	0	0%	0
	0		0	4,248,945		127,468

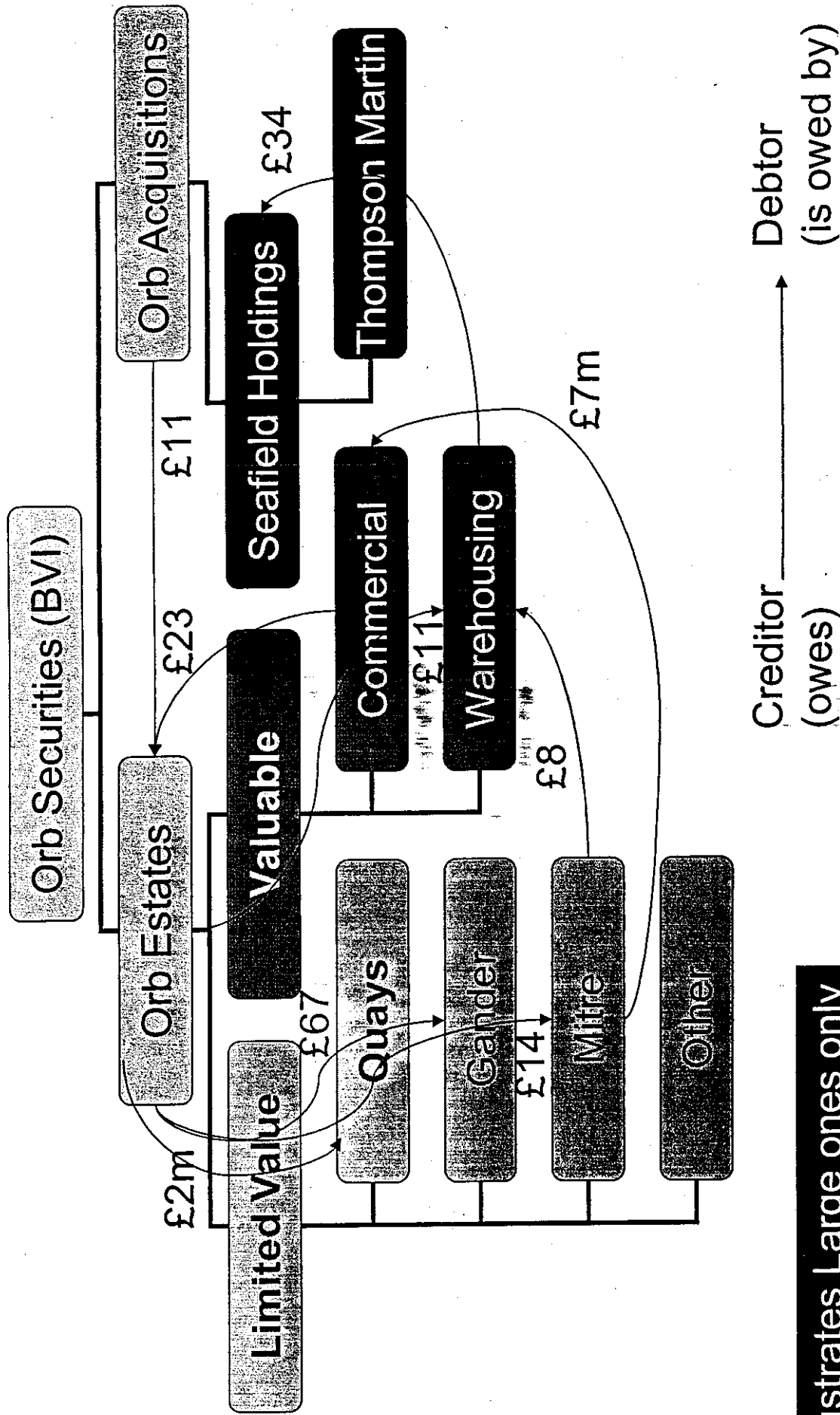
ILLUSTRATIVE PRESENTATION OF COMPLEX AND CIRCULAR INTER-COMPANY ACCOUNTS

Important Note:

This extract from a graphic presentation is illustrative (in a summary form) of a simplified group structure for presentation purposes only.

Very (very) complex intercompany
balances create
massive complications

Turnarounds
The MacDonald Partnership



Illustrates Large ones only

APPENDIX 6

STATUTORY DOCUMENTS

1. A Creditors Guide to Administrators Fees
2. Schedule of Administrators Time Costs
3. A copy of the receipts and payments account
4. Proxy Form
5. Requisite Majorities (for Voting Purposes)
6. Proof of Debt Form

A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

ENGLAND AND WALES

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 in order to achieve one or more of the following statutory purposes:

- the survival of the company and its business in whole or in part;
- the approval of a company voluntary arrangement;
- the sanctioning of a scheme under section 425 of the Companies Act 1985;
- a better realisation of assets than would be possible in a liquidation.

Administration may be followed by a company voluntary arrangement or liquidation.

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 established at the meeting of creditors which the administrator is required to hold within 3 months of the administration order to consider his proposals. The administrator must call the first meeting of the committee within 3 months 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 such information as it may require.

4 Fixing the administrator's fees

- 4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.47 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 2.47 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.

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 fulfil 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. 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.

- 5.1.4 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.

Orb Estates Plc (in Administration)

Analysis of Fees

12/09/03

Classification of work function	Hours					Time Cost £	Average hourly rate £
	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Advice, administration and planning		48.5	4.0	45.8	98.3	£20,764	£211
Investigations					0.0		£0
Realisation of assets	14.5	9.0			23.5	£11,125	£473
Trading					0.0		£0
Creditors					0.0		£0
Case specific matters					0.0		£0
Total hours	14.5	57.5	4.0	45.8	121.8		
Total fees claimed (£)						£31,889	£262

Orb Estates Plc
(In Administration)
Administrator's Abstract of Receipts & Payments
To 11/09/2003

S of A	£		£	£
		ASSET REALISATIONS		
	20,540.00	Furniture & Equipment	12,406.00	
	9,084.00	Motor Vehicles	Nil	
	781,300.00	Intercompany Debtors	21,441.82	
	Nil	Sale of Shares	5,000.00	
	Nil	Insurance Refund	287.00	
	Nil	Cash at Bank	22,973.30	
	Nil	Rent	5.00	
				62,113.12
		COST OF REALISATIONS		
	Nil	Bordereau	180.00	
	Nil	Office Holders Fees	31,888.60	
	Nil	Stationery & Postage	482.76	
	Nil	Travel	102.60	
	Nil	Carriage	230.00	
	Nil	Bank Charges	6.00	
	Nil	Company Searches	2,222.18	
				(35,112.14)
		PREFERENTIAL CREDITORS		
	117,127.00	Inland Revenue	Nil	
	8,800.00	Employees	Nil	
				Nil
		UNSECURED CREDITORS		
	128,807,847.00	Trade & Expense Creditors	Nil	
				Nil
		DISTRIBUTIONS		
	37,718,661.00	Ordinary Shareholders	Nil	
				Nil
	<u>(165,841,511.00)</u>			<u>27,000.98</u>
		REPRESENTED BY		
		VAT Receivable	6,103.33	
		Bank Current + Interest	23,068.70	
		VAT Payable	(2,171.05)	
			<u>27,000.98</u>	

Mitre Property Management Ltd
(In Administration)
Administrator's Abstract of Receipts & Payments
To 11/09/2003

S of A	£		£	£
		ASSET REALISATIONS		
72,612.00		Intercompany Receivables	Nil	
Nil		Cash at Bank	35.19	
				35.19
		COST OF REALISATIONS		
Nil		Bordereau	30.00	
				(30.00)
		UNSECURED CREDITORS		
17,032,979.00		Trade & Expense Creditors	Nil	
				Nil
		DISTRIBUTIONS		
5,000.00		Ordinary Shareholders	Nil	
				Nil
				5.19
				5.19
		REPRESENTED BY		
		Bank Current + Interest		5.19
				5.19

S of A	£		£	£
		ASSET REALISATIONS		
				Nil
		PREFERENTIAL CREDITORS		
8,237.00		Inland Revenue	Nil	
5,600.00		Employees	Nil	
				Nil
		UNSECURED CREDITORS		
78,428.00		Trade & Expense Creditors	Nil	
				Nil
		DISTRIBUTIONS		
1.00		Ordinary Shareholders	Nil	
				Nil
(92,266.00)				Nil

Ellard Construction Limited
(In Administration)
Administrator's Abstract of Receipts & Payments
To 11/09/2003

S of A	£		£	£
		ASSET REALISATIONS		
				Nil
		DISTRIBUTIONS		
	5.00	Ordinary Shareholders	Nil	
				Nil
				Nil
	<u>(5.00)</u>			<u>Nil</u>

Eyton Investments Limited
(In Administration)
Administrator's Abstract of Receipts & Payments
To 11/09/2003

S of A	£	£	-£
	ASSET REALISATIONS		
		<hr/>	Nil
	DISTRIBUTIONS		
20,000.00	Ordinary Shareholders	<hr/> Nil	
			<hr/> Nil
<hr/> (20,000.00)			<hr/> <hr/> Nil

Royton Industries Ltd
(In Administration)
Administrator's Abstract of Receipts & Payments
To 11/09/2003

S of A	£		£	£
		ASSET REALISATIONS		
			<hr/>	
		DISTRIBUTIONS		Nil
89,184.00		Ordinary Shareholders	Nil	
			<hr/>	
				Nil
<hr/>				<hr/>
(89,184.00)				Nil
				<hr/> <hr/>

Orb Commercial Ltd
(In Administration)
Administrator's Abstract of Receipts & Payments
To 11/09/2003

S of A	£		£	£
		ASSET REALISATIONS		
31,342.00		Intercompany Receivables	Nil	
Nil		Electricity Refund	805.18	
				805.18
		PREFERENTIAL CREDITORS		
4,047.00		Customs & Excise	Nil	
				Nil
		UNSECURED CREDITORS		
23,713,932.00		Trade & Expense Creditors	Nil	
				Nil
		DISTRIBUTIONS		
205,001.00		Ordinary Shareholders	Nil	
				Nil
				805.18
(23,891,638.00)				805.18
		REPRESENTED BY		
		Bank Current + Interest		805.18
				805.18

Orb Warehousing Ltd
(In Administration)
Administrator's Abstract of Receipts & Payments
To 11/09/2003

S of A	£		£	£
		ASSET REALISATIONS		
217,862.00		Intercompany Receivables	<u>Nil</u>	
				Nil
		UNSECURED CREDITORS		
36,028,965.00		Trade & Expense Creditors	<u>Nil</u>	
				Nil
		DISTRIBUTIONS		
250,001.00		Ordinary Shareholders	<u>Nil</u>	
				Nil
<u>(36,061,104.00)</u>				<u>Nil</u>

Proxy (Administration)

Orb Commercial Ltd

Name of Creditor _____

Address _____

Name of Proxy Holder

Please insert name of person (who must be 18 or over) or the Chairman of the Meeting. If you wish to provide for alternative proxy holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well

1 _____

2 _____

3 _____

Please delete words in brackets if the proxy holder is only to vote as directed i.e. he has no discretion

I appoint the above person to be my/the creditor's proxy holder at the meeting of creditors to be held on _____, or at any adjournment of that meeting. The proxy holder is to propose or vote as instructed below (and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion).

Voting Instructions for resolutions

*Please delete as appropriate

1. For the acceptance/rejection* of the administrator's proposals/revised proposals* as circulated

2. For the appointment of

of

representing _____

as a member of the creditors' committee

This form must be signed

Signature _____ Date _____

Name in CAPITAL LETTERS _____

Only to be completed if the creditor has not signed in person

Position with creditor or relationship to creditor or other authority for signature

Remember: there may be resolutions on the other side of this form

Requisite Majorities
for creditors and members
for the Administrator's Proposal

The majority required for all resolutions is a simple majority of 50% (r2.28(1) IR 86).

2.28(1) [Resolution passed by majority in value] Subject to paragraph (1 A), at a creditors' meeting in administration proceedings, a resolution is passed when a majority (in value) of those present and voting, in person or by proxy, have voted in favour of it.

2.28(1A) [Resolution invalid] Any resolution is invalid if those voting against it include more than half in value of the creditors to whom notice of the meeting was sent and who are not, to the best of the chairman's belief, persons connected with the company.

2.28(2) [Minute book] The chairman of the meeting shall cause minutes of its proceedings to be entered in the company's minute book.

2.28(3) [Contents of minutes] The minutes shall include a list of the creditors who attended (personally or by proxy) and, if a creditors' committee has been established, the names and addresses of those elected to be members of the committee.

If no requisite majority is achieved, the meeting can be adjourned for a maximum of 14 days to obtain support, if appropriate (r2.19(7) IR 86).

PROOF OF DEBT - GENERAL FORM

**In the matter of Orb Commercial Ltd
In Administration
and in the matter of The Insolvency Act 1986**

Date of Administration Order

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	

PROOF OF DEBT - GENERAL FORM (CONTD...)

Admitted to Vote for

£

Date

Liquidator

Admitted preferentially for

£

Date

Liquidator

Admitted non-preferentially for

£

Date

Liquidator

NOTE: A company goes into liquidation if it passes a resolution for voluntary winding up or an order for its winding up is made by the court at a time when it has not already gone into liquidation by passing such a resolution.