

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company Absolute Health and Fitness Limited	Company number 04292768
In the High Court of Justice, Chancery Division [full name of court]	Court case number 11657 of 2009

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

I (a) Ian Franses
of Ian Franses Associates
24 Conduit Place
London W2 1EP

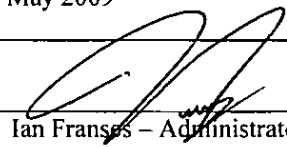
* Delete as applicable

attach a copy of ~~*my/our~~ proposals in respect of the administration of the above company.

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

(b) Insert date

(b) 13 May 2009

Signed 
Ian Franses – Administrator

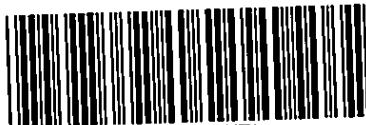
Dated: 13 May 2009

Contact Details:

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

Ian Franses Associates	
24 Conduit Place, London W2 1EP	
Ref:	Tel: 020 7262 1199
DX Number	DX Exchange

SATURDAY



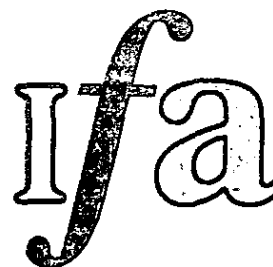
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16/05/2009
COMPANIES HOUSE

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

Our ref: 3/BJS/A195/Z

Your ref:

13 May 2009



IAN FRANSES ASSOCIATES

24 Conduit Place London W2 1EP
Telephone: 020 7262 1199 Fax: 020 7262 2662
www.ianfranes.co.uk

TO ALL KNOWN CREDITORS

Dear Sir/Madam

Absolute Health and Fitness Limited – In Administration (“the Company”)
High Court of Justice Reference: 11657 of 2009

I was appointed Administrator of the Company on 19 March 2009 by the directors under paragraph 22 of Schedule B1 to the Insolvency Act 1986. A formal notification of my appointment was issued to all creditors on 20 March 2009.

In accordance with statutory requirements, I now enclose with this letter the Administrator's Report and Statement of Proposals, which includes information on the background to the Administration and the actions that have been taken since my appointment.

The purpose of an Administration is to achieve one of the following objectives:

1. Rescuing the Company as a going concern, or
2. Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration), or
3. Realising property in order to make a distribution to one or more secured or preferential creditors.

The third objective is being pursued in this case, for the reasons set out in the attached report.

The Administrator thinks that the Company has insufficient property to enable them to make a distribution to its unsecured creditors. As a result and in accordance with Paragraph 52(1)(b) of Schedule B1 to the Insolvency Act 1986, the Administrator is not required to convene an initial meeting of the Company's creditors.

Creditors whose debts amount to at least 10% of the total debts of the Company may however request a meeting. Any requests for an initial creditors meeting must be made in writing to my office by 26 May 2009 and must include details of the purpose of the proposed meeting.

Yours faithfully

For and on behalf of

Absolute Health and Fitness Limited – In Administration

A handwritten signature in black ink, appearing to read 'Ian Franes'.

Ian Franes – Administrator

Encl.:

The affairs, business and property of the Company are being managed by the Administrator.
The Administrator acts as agent of the Company and without personal liability.



**Administrator's Report and
Statement of Proposals**

**Absolute Health and Fitness
Limited – In Administration**

13 May 2009

ABSOLUTE HEALTH AND FITNESS LIMITED - IN ADMINISTRATION

CONTENTS

1	Statutory Information
2	Background to the Administration
3	Administration Strategy and Objective
4	Administrator's Receipts and Payments
5	Financial Position
6	Proposals
7	Exit Route
8	Administrator's Remuneration
9	Estimated Outcome
10	Next Report

APPENDICES

Receipts and Payments Account for the Period from 19 March 2009 to 13 May 2009	Appendix A
Summary of the Estimated Financial Position of the Company as at 19 March 2009	Appendix B
A Creditor's Guide to Administrator's Fees	Appendix C
Time Analysis for the Period from 19 March 2009 to 8 May 2009	Appendix D
Additional Information in Relation to Administrator's Fees Pursuant to Statement of Insolvency Practice 9	Appendix E
Estimated Outcome Statement as at 13 May 2009	Appendix F
Information required to be disclosed under SIP 16	Appendix G

ABSOLUTE HEALTH AND FITNESS LIMITED - IN ADMINISTRATION

1 Statutory Information

- 1.1 Absolute Health and Fitness Limited ("the Company") was incorporated on 24 September 2001 under company number 04292768.
- 1.2 The Company conducted its business as an operator of clinics for musculoskeletal health care. There were four clinics at 11-13 Crosswall, London EC3N 2JY (Aldgate East), 21-24 Chiswell Street, London EC1Y 4TY (Moorgate), 112 Harley Street, London W1G 7JQ (West End) and 2nd Floor, New North House, Ongar Road, Brentwood, CM15 9BB (Brentwood).
- 1.3 The registered office of the Company has been changed from c/o King & King, Roxburghe House, 273-287 Regent Street, London W1B 2HA to c/o Ian Franses Associates, 24 Conduit Place, London W2 1EP.
- 1.4 The Company has granted three charges over its assets: (i) a fixed and floating charge created in favour of Bank of Baroda on 11 March 2003 and registered on 25 March 2003, (ii) a charge over the rent deposit in respect of the premises at 11-13 Crosswall, London, which was created in favour of Threadneedle Pensions Limited on 29 April 2003 and registered on 2 May 2003, and (iii) a legal charge over the leasehold premises at 24 Chiswell Street, London, which was created in favour of Bank of Baroda on 31 July 2006.
- 1.5 Details of the Company's directors and secretary are as follows:

Directors	Date appointed	Date resigned	Shares held	
			Ordinary	Preference
Wayne Edwards	08/02/2002	-	129,186	
Nicholas Critchley	01/10/2001	-	129,186	
Gregory Ryan	04/04/2006	-	129,185	
Simon Moyes	15/12/2002	-	184,554	241,710
Jacqueline Wiggins	15/09/2006	-	88,587	411,415
Paul Godfrey	08/02/2002	05/01/2007		
Other Shareholders				
Craig George	-	-	11,073	
Daniel Mark Smith	-	-	11,073	
William David Pressley	-	-	55,366	244,635
Company Secretary				
Wayne Edwards	31/01/2007	-		

2 Background to the Administration

- 2.1 The Company was formed in September 2001. The Company was dormant until April 2003.
- 2.2 The Company commenced to trade in April 2003 from the Aldgate East premises which were acquired on a 15 years lease at an annual rental of £31,770 subject to rent reviews in March 2008 and 2013.
- 2.3 The filed accounts for the year ended 31 March 2006 showed the Company had net assets of £123,406.
- 2.4 In July 2006, the Company acquired the Moorgate premises on a 15 years lease in order to expand the business. The Company was benefited by 12 month rent free period until July 2007.
- 2.5 In mid 2007, the Company expanded further and entered into a 3 year agreement to occupy a specified area at Brentwood Medical Centre.
- 2.6 Unfortunately, the Company suffered a loss at Brentwood where it believed that Brentwood Medical Centre, upon their invitation would create demand for the Company's services requiring the whole of the square footage. However, they only created a demand which required about 30% of the area. The Company tried to renegotiate on an occupancy rate but this did not transpire. This was despite the Company spending in excess of £20,000 equipping the premises.
- 2.7 The Company suffered a further setback when turnover declined in the area in which the Moorgate premises was situated as the area is mainly populated by bank staff many of whom have been made redundant or others who can no longer afford to use the Company's services.
- 2.8 As a result, I was appointed as Administrator of the Company by the Directors on 19 March 2009.
- 2.9 I, Ian Franes, am a licensed insolvency practitioner authorised by the Institute of Chartered Accountants in England & Wales.
- 2.10 The Administration is registered in the High Court of Justice, under reference number 11657 of 2009.

- 2.11 The EC Regulation on Insolvency Proceedings 2000 apply to the Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.
- 2.12 The Administrator must perform his functions with the purpose of achieving one of the following objectives:
- (i) rescuing the Company as a going concern;
 - (ii) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration); or
 - (iii) realising property in order to make a distribution to one or more secured or preferential creditors.

Further information on the pursuance of the above objectives is detailed in the next section.

3 Administration Strategy and Objective

- 3.1 Following appointment on 19 March 2009 and having considered the financial position of the Company continuing trading was not viable and the offer from Health and Fitness Solutions Limited ("HFS") to acquire the Company's goodwill and the chattel assets for £31,565 was accepted.
- 3.2 The goodwill and the assets have been valued by a professional agent, Ashwells Nationwide Services Limited, at £31,565 on a willing buyer basis. The appointed agent has indicated that, on a break up basis, the chattel assets would only realise £3,820 and there is no value for goodwill.
- 3.3 Accordingly, the goodwill and the chattel assets were sold to Health and Fitness Solutions Limited for £31,565 and it was agreed that the sale consideration will be paid in 5 instalments ending on 19 August 2009.
- 3.4 The secured creditor, Bank of Baroda, has agreed to the sale and the proceeds will be paid to it under its fixed charge security over the goodwill and floating charge over all other assets as there are no preferential claims for unpaid wages and holiday pay.
- 3.5 As detailed above, there will be a substantially better outcome for the secured creditor and as such the third objective of the administration will be achieved.

4 Administrators' Receipts and Payments

- 4.1 A summary of receipts and payments for the Administration period from the date of my appointment to 13 May 2009 is attached as Appendix A.

5 Financial Position

- 5.1 Attached as Appendix B is a summary of the Estimated Financial Position of the Company as at 19 March 2009, together with a list of creditors names and addresses along with details of their debts (including details of any security held by them).
- 5.2 Following a nil valuation by a professional property agent, Roth Associates, the Company's lease at 11-13 Crosswall, London has been assigned to HFS and a rent deposit of £15,885 is being pursued by my solicitor.
- 5.3 To date, I have received £17,931 from HFS in respect of the book debts collected on my behalf. I am recently advised by HFS that further £25,265.73 has been recovered from the Company's debtors, of which £3,111 has been paid into the estate account. Following the request from HFS I have agreed the balance to be paid in 7 equal instalments of £8,500 to include the sale of goodwill and chattel assets, which includes a provision of £10,935 towards the Administrator's remuneration, legal fees, disbursements and VAT, which requires the approval of the secured creditors, Bank of Baroda.

6 Proposals

It is proposed that:

- 6.1 The Administrator shall continue to manage the Company's affairs in order to achieve the intended objective which is realising the Company's assets in order to make a distribution to one or more secured or preferential creditors.
- 6.2 If the Administrator thinks that if having realised the assets of the Company (as outlined above) there will be insufficient funds to enable a full payment to the secured creditor, Bank of Baroda and, therefore, no distribution to the unsecured creditors, he will file a notice with the Court and the Registrar of Companies for the dissolution of the Company. See Section 7 below on **Exit Routes** for further information on this process.

- 6.3 The Administrator shall do all such other things and generally exercise all of his powers as contained in Schedule 1 of the Insolvency Act 1986, as he consider desirable or expedient to achieve the statutory purpose of the Administration.
- 6.4 The creditors consider establishing a Creditors' Committee and that if any such Committee is formed they be authorised to sanction the basis of the Administrator's remuneration and any proposed act on the part of the Administrator without the need to report back to a further meeting of creditors generally, to include any decision regarding the most appropriate exit route from the Administration.
- 6.5 The remuneration of the Administrator shall be fixed by reference to time properly spent by him and his staff in managing the Administration. As there is no prospect of a distribution to the unsecured creditors the Administrator's remuneration will be fixed by the secured creditor.
- 6.6 The Administrator be authorised to draw remuneration as and when funds are available on account of their time costs.
- 6.7 The Administrator will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon his appointment as Administrator ceasing to have effect.

7 Exit Routes

Dissolution of the Company

- 7.1 If the Administrator thinks that the Company has no property which might permit a distribution to its unsecured creditors, I propose filing a notice together with my final progress report at Court and with the Registrar of Companies for the dissolution of the Company. I shall send copies of these documents to the Company and its creditors. The appointment will end following the registration of the notice by the Registrar of Companies.

8 Administrators' Remuneration

8.1 The Administrator's time costs at 8 May 2009 are £9,407.25. This represents 53.30 hours at an average rate of £176.50 per hour. Attached as Appendix C is a Creditors' Guide to Administrators' fees for your information. I have also attached as Appendix D a Time Analysis which provides details of the activity costs incurred by staff grade to the above date.

8.2 Attached as Appendix E is additional information in relation to our policy on staffing, the use of sub-contractors, disbursements and details of our current charge-out rates by staff grade.

9 Estimated Outcome

9.1 An estimate of the outcome of the Administration as at 13 May 2009 is attached as Appendix F. This indicates that the realisations will be insufficient to pay the secured creditors in full and, therefore, there will no dividend to the unsecured creditors.

9.2 Based on the Estimated Financial Position of the Company there are no preferential creditors and the unsecured creditors (including directors' loans) are £399,114. As stated above, it is unlikely that any dividend will be paid to the unsecured creditors.

9.3 The Company granted a fixed and floating charge to Bank of Baroda on 11 March 2003. Accordingly, there is no requirement to create a fund out of the Company's net floating charge property for unsecured creditors, which only applies to charges created after 15 September 2003.

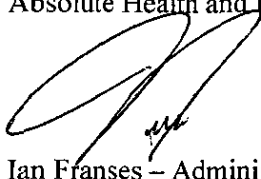
10 Next Report

10.1 The Administrator is required to provide a progress report within one month of the end of the first six months of the Administration.

11 Meeting of Creditors

- 11.1 An initial meeting of the Company's creditors is not being convened because I think there is insufficient property to enable a distribution to be made to unsecured creditors. The Administrator is obliged to hold an initial creditors' meeting if 10% in value of the creditors request it. If you wish for a meeting to be held, you must notify us in writing in the prescribed form on or before 26 May 2009.

Yours faithfully
For and on behalf of
Absolute Health and Fitness Limited – In Administration

A handwritten signature in black ink, appearing to read 'Ian Franes', is written over the printed name below.

Ian Franes – Administrator

Encl.:

Absolute Health and Fitness Limited

Appendix A

(In Administration)

Administrator's Abstract of Receipts & Payments

To 13/05/2009

S of A £		£	£
	SECURED ASSETS		
NIL	Leasehold Land and Property	NIL	
NIL	Fixed Plant & Machinery	NIL	
20,000.00	Goodwill/IPR/Shares in subsidiary	NIL	
		NIL	NIL
	SECURED CREDITORS		
(225,000.00)	Bank of Baroda	NIL	
			NIL
30,178.00	Rent Deposit	NIL	
(30,178.00)	Landlord	NIL	
			NIL
	ASSET REALISATIONS		
10,565.00	Furniture & Equipment	NIL	
15,885.00	Rent Deposit	NIL	
1,000.00	Stock	NIL	
50,000.00	Book Debts	17,931.00	
NIL	Prepayments	NIL	
			17,931.00
	COST OF REALISATIONS		
	Agent's Fees	2,000.00	
	Legal Fees	3,750.00	
			(5,750.00)
	UNSECURED CREDITORS		
(173,086.49)	Trade & Expense Creditors	NIL	
(45,000.00)	John Critchley	NIL	
(59,361.00)	Director's Loan Account - Simon Moyes	NIL	
(41,259.83)	HM Revenue & Customs (PAYE-NIC)	NIL	
(16,771.00)	HM Revenue & Customs	NIL	
(25,000.00)	Barclays Bank Plc	NIL	
(8,000.00)	Director's Loan Account - J Wiggins	NIL	
(36,050.00)	Director's Loan Account - G Ryan	NIL	
			NIL
	DISTRIBUTIONS		
(89,776.00)	Preference Shares	NIL	
(73,821.00)	Ordinary Shareholders	NIL	
			NIL
(695,675.32)			12,181.00

Absolute Health and Fitness Limited
(Proposed Administration)

Estimated Statement of Affairs as at 19 March 2009

	Note	Book Value £	£	Compulsory Liquidation £	£	Administration £	£
Assets Specifically Pledged							
Leasehold Property		336,970		-		-	
Fixed Plant & Machinery		152,359		-		-	
Goodwill		-		-		20,000	
Less: Bank of Baroda c/d		<u>(225,000)</u>		<u>(225,000)</u>		<u>(225,000)</u>	
		264,329		<u>(225,000)</u>		<u>(205,000)</u>	
Rent Deposit (Crosswall)		15,885		-		15,885	
Landlord: Threadneedle Pensions Ltd		<u>-</u>		<u>-</u>		<u>-</u>	
		15,885		-		15,885	
Rent Deposit (Chiswell Street)		30,178		-		-	
Landlord		<u>-</u>		<u>-</u>		<u>-</u>	
		30,178		-		-	
Assets Not Specifically Pledged							
Furniture & Equipment		30,443		3,420		10,565	
Stock		550		400		1,000	
Debtors		58,795		30,000		50,000	
Prepayments		40,893		-		-	
		<u>441,073</u>		<u>33,820</u>		<u>77,450</u>	
Less							
Petitioning Creditor's Costs (say)		-		(1,500)		-	
Official Receiver's Administration Charge		-		(1,950)		-	
Liquidator's Remuneration - realisations		-		(7,441)		-	
- distributions		-		(3,214)		-	
Liquidator's Disbursements (say)		-		(750)		-	
Insolvency Service Account Fees		-		(5,409)		-	
Administrator's Remuneration (say)	1	-		-		(10,000)	
Administrator's Disbursements (say)		-		-		(1,500)	
		<u>-</u>		<u>(20,264)</u>		<u>(11,500)</u>	
		441,073		13,556		65,950	
Preferential Creditors							
		<u>-</u>		<u>-</u>		<u>-</u>	
		441,073		13,556		65,950	
Floating Charge Creditors							
Bank of Baroda b/d		<u>-</u>		<u>(225,000)</u>		<u>(205,000)</u>	
		441,073		(211,444)		(139,050)	
Unsecured Creditors							
Trade & Expense Creditors		(167,672)		(167,672)		(167,672)	
Barclays Bank Plc		(25,000)		(25,000)		(25,000)	
Director's Loan Acc - Jackie Wiggins		(8,000)		(8,000)		(8,000)	
Director's Loan Acc - Gregory Ryan		(36,050)		(36,050)		(36,050)	
Director's Loan Acc - Simon Moyes		(59,361)		(59,361)		(59,361)	
Other Loans		(45,000)		(45,000)		(45,000)	
HM Revenue & Customs (PAYE)		(41,260)		(41,260)		(41,260)	
HM Revenue & Customs (VAT)		(16,771)		(16,771)		(16,771)	
HM Revenue & Customs (CT)		-		-		-	
RPO/Employees' Claims		<u>- (399,114)</u>		<u>(25,000) (424,114)</u>		<u>- (399,114)</u>	
		41,959		(635,558)		(538,164)	
Shareholders - Preference		(89,776)		(89,776)		(89,776)	
Shareholders - Ordinary		<u>(73,821)</u>		<u>(73,821)</u>		<u>(73,821)</u>	
Estimated Total (Deficiency)		<u>(121,638)</u>		<u>(799,155)</u>		<u>(701,761)</u>	

Notes

- 1 The Administrator's remuneration (see paras 6.14 - 6.16 of the Proposal) is an estimate of the fees which are likely to accrue over the duration of the Administration assuming that it runs its course without complication.

Absolute Health and Fitness Limited

B - Company Creditors

Key	Name	Address	£
CA00	A. Alego Limited	Sheridan House, Bridge Industrial Estate, Speke Hall Road, Liverpool, L24 9HB	237.38
CA01	All hallowes by the Tower	The Church rates Office, All Hallowes by the Tower, Byward Street, London, EC3 R	104.00
CB00	Bauerfeind UK Limited	Phyllis House, 229 Bristol Road, Birmingham B5 7UB	1,681.94
CB01	Brentwood Medical Centre	Brentwood Medical Centre, 2nd Floor New North House, Ongar Road, Brentwood, Essex CM15 9BB	108,288.87
CB02	BOS Equipment Finance Limited	Customer Services, TN-76 City House, Chester, CH88 3AN	0.00
CB03	Barclays Bank Plc	24-26 Minorities, London, EC3N 1BQ	25,000.00
CB04	Bank of Baroda	City Road, London EC1Y 2BD	225,000.00
CC00	CCD Solutions Limited	Security Given: Fixed and floating charge Date Given: 11/03/2003	0.00
CC01	Culligan UK Limited	8 Universal Merina, Crabbleck lane, Sarisbury Green, Southampton, Hampshire SO31 7ZN	93.00
CC02	John Critchley Loan	Culligan House, 74 Capital Way, Colindale, London, NW9 0EW	45,000.00
CC03	HM Revenue & Customs (VAT)	National Insolvency Unit, Queens Dock, Liverpool, L74 4aa	16,771.00
CD00	DS Ergonomics Limited	8 Hamilton Close, South Mimms, Herts, EN6 3PG	1,988.39
CE00	Economised Limited	Trafalgar House, Station Road, Long Sutton, Lincolnshire, PE12 9BP	318.94
CF00	Fefex Kinko's Limited	326 Hugh Halborn, London, WC1V 7PE	41.24
CG00	GB-Office Group Limited	Ranger House, Etruria Road, Hanley, Stoke-on-Trent, SY1 5NH	313.00
CH00	HM Revenue & Customs	286 Euston Road, London, NW1 3UQ	41,259.83
CI00	ING Lease UK Limited	60 High Street, Redhill, Surrey, RH1 1NY	0.00
CI01	IZR Solutions Ltd	41 Rushington Business Park, Chapel Lane, Totton, Southampton, SO40 9LA	0.00
CJ00	Jones Lang LaSalle	Avocet Court, 8 Central Avenue, St Andrews Business Park, Norwich, NR7 0HR	25,190.93
CK00	King & King Accountants	Roxburge House, 273 - 287 Regent Street, London, W1B 2HA	5,185.75
CP00	Peninsula Business Services Limited	Delphian House, Riverside, New Bailey Street, Manchester, M3 5BP	0.00
CP01	Phisio-Med Services limited	Glossop Brok Business Park, Glossop, SK13 AJ	344.55
CP02	Physical Company	2A Desborough Industrial Park Road, High Wycombe, Buckinghamshire, HP21 3BG	39.04
CP03	Posturite	The Mill, Berwick, East Sussex, BN26 6SZ	34.54
CP04	Able2 UK Limited	(Formerly Promedics ADL Limited), Moorergate Street, Blackburn, Lancashire, BB2 4PB	484.34
CP05	Mr W Pressley	11 Avondale Road, London, SW14 8PU	0.00
CR00	Regular Cleaning Services Limited	Aldworth House, 1 Aldworth Grove, London, SE13 6HJ	176.25
CS00	Screen4Life Limited	Gay Down Offices, Valley Road, Fawkham, Kent, DA3 8LY	2,705.00
CS01	St Johns Mill	St Johns Mill, Mill Road, IOM, IM4 3AF	161.70
CS02	SSS Leasing Limited	66 Baker Street, Weybridge, Surrey, KT13 8AL	0.00
CT00	The London Marathon Limited	115 Southwalk Street, London, SE1 0JF	1,968.12
CT01	The Doctors Laboratories	80 Whitfield Street, London, W1T 4EU	42.20
CT02	Threadneedle Pensions Limited	Workman LLP, 4th Floor, Minton Place, Station Road, Swindon SN1 1DA	16,773.17
CU00	Universal leasing	Cassiobury House, 11-19 Station Road, Watford, Herts, WD1	0.00
CV00	Vivomed	Unit 3, Ballymote Centre, 40 Killough Road, Downpatrick, BT3	205.31
CV01	Vodafone	130 Wharfedale Road, Winnerish Triangle, Berks, RG41 5RB	187.30
CW00	Valli Williams		1,137.53

Signature

Date

Absolute Health and Fitness Limited

B - Company Creditors

Key	Name	Address	£
RC00	N Critchley Esq	19A Old Cross, Hertford, Hertfordshire, SG14 1RE	0.00
RE00	W Edwards Esq	23 Granada Close, Cowplain, Hampshire, PO8 9AU	0.00
RM00	S Moyes Esq	25 Sunderland Terrace, London, W2 5PA	59,361.00
RR00	G Ryan Esq	Furze Farm Cottages, Bernards Close, Chearsley, Buckinghamshire, HP18 0BY	36,050.00
RW00	Ms J Wiggins	10 Blythesway, Alvechurch, Worcestershire, B48 7NA	8,000.00
42 Entries Totalling			624,144.32

Signature

Date

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 with the following objective:

- rescuing the company as a going concern, or
- achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration, or, if the administrator thinks neither of these objectives is reasonably practicable realising property in order to make a distribution to secured or preferential creditors.

3 The creditors' committee

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

4 Fixing the administrator's fees

4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either:

- as a percentage of the value of the property which the administrator has to deal with, or
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

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

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

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

4.3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets. In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of

- each secured creditor of the company; or
- if the administrator has made or intends to make a distribution to preferential creditors
- each secured creditor of the company; and
- preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval, having regard to the same matters as the committee would.

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

4.4 A resolution of creditors may be obtained by correspondence.

5 What information should be provided by the administrator?

5.1 When seeking fee approval

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

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

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

5.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case.

The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must 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.

9. Provision of information – additional requirements

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

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

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office. The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.

Period: 19/03/2009 to 08/05/2009

Appendix D

[illegible]

ADDITIONAL INFORMATION IN RELATION TO ADMINISTRATOR'S FEES PURSUANT TO STATEMENT OF INSOLVENCY PRACTICE 9

Policy

Detailed below is Ian Franes Associates policy in relation to:

- Staff allocation and the use of subcontractors
- Professional advisors
- Disbursements

Staff allocation and the use of subcontractors

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The constitution of the case team will usually consist of a Partner, Manager, Senior and Assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and on larger, more complex cases, several Seniors/Assistants may be allocated to meet the demands of the case.

With regard to support staff, time spent by cashiers in relation to specific tasks on an assignment is charged. Only if there is a large block of time incurred by a member of the secretarial team, e.g. report compilation and distribution, we seek to charge and recover this time.

We have not utilised the services of any subcontractors in this case.

Professional advisors

On this assignment we have used the professional advisors listed below. We have also indicated alongside, the basis of our fee arrangement with them, which is subject to review on a regular basis.

Name of Professional Advisor	Basis of Fee Arrangement
Ashwells Nationwide Services Limited (for valuation of assets)	Fixed fee
Grower Freeman (Legal Fees)	Time Costs Basis
Roth Associates (Property valuers)	Fixed fee

Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as Category 1 generally comprise external supplies of incidental services specifically identifiable to the case, such as postage, advertising, invoiced travel, external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

Charge-out rates

A schedule of Ian Franes Associates charge-out rates effective from 4 September 2007 is as follows:

	From 04/09/07 (per hour) £
I Franes – Senior Partner	295
E Popat – Partner	255
J Karr – Partner	240
Managers	150
Senior Administrators	110
Administrators	95
Junior Administrators	65

ABSOLUTE HEALTH AND FITNESS LIMITED - IN ADMINISTRATION

Estimated Outcome Statement as at 13 May 2009

Appendix F

	£000
Assets subject to Fixed Charge	
Freehold property	Nil
Book debts	Nil
Goodwill	20,000
Available to Secured Charge Holder	20,000
Amount due to Secured Charge Holder	(225,000)
Surplus / (deficit) to Secured Charge Holder	(205,000)
Assets Subject to Floating Charge	
Stock	1,000
Furniture and equipment	10,565
Rent Deposit	15,885
Debtors	46,578
Less:	74,028
Costs of Administration	10,000
	64,028
Preferential creditors	Nil
Surplus / (deficit) due to Secured Charge Holder under fixed charge	(205,000)
Surplus / (deficit) available for unsecured creditors	NIL

Absolute Health and Fitness Limited – in Administration

Statement of Insolvency Practice 16 sets out the matters to be disclosed to the creditors in such circumstances. These matters are scheduled below, together with our comments.

The source of the Administrator's initial introduction

My firm was first approached by the Company's accountants, King & King, on 26 February 2009. Prior to that date neither I, nor my firm, had acted for the Company or its Directors in any capacity.

The extent of the Administrator's involvement prior to appointment

Between 26 February and the present date, we have been advising the Company and its Directors on how the purpose of the proposed Administration might be achieved.

Any marketing activities conducted by the Company and/or the Administrator

The Company conducted its business as an operator of clinics for musculoskeletal health care. There were four clinics at 11-13 Crosswall, London EC3N 2JY (Aldgate East), 21-24 Chiswell Street, London EC1Y 4TY (Moorgate), 112 Harley Street, London W1G 7JQ (West End) and 2nd Floor, New North House, Ongar Road, Brentwood, CM15 9BB (Brentwood). The Company has suffered a loss at Brentwood where it believed that Brentwood Medical Centre, upon their invitation would create demand for the Company's services requiring whole square footage. However, they only created a demand which required about 30% of the area. The Company tried to renegotiate on an occupancy rate but this did not transpire. This is despite the Company spending in excess of £20,000 equipping the premises. In addition, the area in which the Moorgate premises are situated is mainly populated by bank staff many of whom have been made redundant or others who can longer afford to use the Company's services.

I was advised that the staff have indicated that they would not wish to work for employers other than a company operated by the current Directors. Hence seven staff have all agreed to work for HFS.

I am proposing to assign the lease of the Aldgate East premises to HFS at an agreed rent of £43,220 per annum which my property agent, Roth Associates, have advised me is at full market value and that I would not be able to achieve a premium in today's market.

HFS has found new premises in the Moorgate area in place of the one at 21-24 Chiswell Street where the rent in the order of £100,000 per annum was too high to consider an assignment. They have also sourced a room in West Byfleet. HFS will not be considering taking an assignment of the Brentwood premises. HFS is being granted a new licence at the Harley Street premises.

Furthermore, the Directors personally guarantee the debt of about £225,000 to Bank of Baroda (as well as the overdraft with Barclays Bank Plc for about £25,000). The amount paid by HFS for the business on a going concern basis (but excluding the debtors and the rent deposit at Crosswall) is, according to my independent valuers, in excess of the amount that could hope to be achieved from an outside purchaser. For these reasons it was not practical or appropriate to market the business for sale to any party other than HFS.

Any valuations obtained of the business or the underlying assets

I instructed independent valuers, Messrs Ashwells Nationwide, to provide a valuation of the business and assets. They advised that, on a break up basis, the physical assets of the Company would realise some £3,820. The Directors believe that in the event of liquidation the debtors would only yield about £30,000. Furthermore, the leasehold properties at Moorgate and at Brentwood used by the Company have no market value and whilst the rent deposit in respect of Moorgate of about £30,000, because of a possible claim for dilapidations coupled with a period where that landlord may not receive any rent, it is thought to be irrecoverable. However, as the Aldgate East premises is to be assigned to HFS, the rent deposit of £15,885 plus VAT should be paid by the landlords into the Administration.

Consequently, it is my agents' opinion that the going concern sale value for the goodwill, furniture & equipment and stock amounts to £31,565 which is the amount that was paid by HFS.

The alternative courses of action that were considered by the Administrator, with an explanation of possible financial outcomes

For the reasons set out above, a liquidation of the Company would not have been desirable as it would have led to the immediate disbanding of the workforce. Based upon my agents' opinion, the assets would have hardly realised sufficient to fund the costs of the winding up and there would in any event still have been no funds available to unsecured creditors. Creditors' claims would have increased as a result of claims from the workforce and from the landlords of the Company's premises at Aldgate East.

The option of a Company Voluntary Arrangement (CVA) would have required the support of the debenture holder but they were likely to have wished to ensure that HFS utilise their funds to repay their debt (secured by personal guarantees from the directors). In any event, the option of a CVA would have required HFS having sufficient monies to make an offer to the unsecured creditors which it did not believe would be the case in today's financial climate.

Why it is not likely to be appropriate to trade the business, and offer it for sale as a going concern, during the Administration

I considered whether or not it might be appropriate to trade the business whilst I sought a purchaser. I concluded that this would not be possible because the Administrator would become liable for the employment contracts of the staff and, with no agreement to funding from Bank of Baroda during the Administration, the Administrator would have no choice but to dismiss staff rather than incur liabilities that he could not meet. In addition, the fees and disbursements of the Administrator to trade the business would be high with no real prospect of a better return than the offer made by HFS.

Details of requests made to potential funders to fund working capital requirements

I had no indication from Bank of Baroda that it would be prepared to provide funding for a trading Administration. In fact they appeared to be pleased to receive under their floating charge the monies from the Company's debtors estimated to realise £50,000 and the rent deposit in respect of the Aldgate East premises of £15,885 plus VAT in the proposed administration over the next few months. In order to preserve the continuity of the business it was apparent that the sale of the business and assets had to be as seamless as possible. For these reasons, I concluded that the business would have to be sold immediately upon my appointment, which could only take place once terms of sale were agreed between me and the prospective purchaser.

Whether efforts were made to consult with major creditors

As the Company's only secured creditor is Bank of Baroda consultations were required to seek consent to the sale. Discussions and meetings were held with that bank, who would have been the Company's most significant creditor if the rescue had not been achieved. We have also had approval from the Directors and a major creditor whose debts total about £140,000.

The date of the transaction

The sale took place today being the day following my appointment.

Details of the assets involved and the nature of the transaction

The majority of the Company's assets and undertaking are were sold as a going concern to HFS a company owned and controlled by four of the five directors of the Company. The fifth director, Jackie Wiggins, is on sabbatical leave and will not be involved with HFS. The Aldgate East premises were assigned to the purchaser. The only assets not to be sold at the date of my appointment are any book debts owed to the Company together with the rent deposit payable by the landlords of the Aldgate East premises.

The consideration for the transaction, terms of payment, and any condition of the contract that could materially affect the consideration

The chattel assets and the goodwill have been sold for £31,565 which was agreed with Bank of Baroda.

If the sale is part of a wider transaction, a description of the other aspects of the transaction

Not applicable.

The identity of the purchaser

The purchaser is Health and Fitness Solutions Limited a company registered in England and Wales under number 4292238.

Any connection between the purchaser and the directors, shareholders or secured creditors of the Company

Wayne Edwards and Nicholas Critchley are the initial directors and shareholders in HFS. Gregory Ryan and Simon Moyes are to be appointed directors and will become shareholders in due course.

The names of any directors, or former directors, of the Company who are involved in the management or ownership of the purchaser, or of any other entity into which any of the assets are transferred

As detailed above

Whether any directors had given guarantees for amounts due from the Company to a prior financier, and whether that financier is financing the new business

Four (not Jacqueline Wiggins) of the Directors have given guarantees to Bank of Baroda (about £225,000) who are not financing the new business. The Directors who have given guarantees to Barclays Bank Plc (about £25,000) are Gregory Ryan and Jacqueline Wiggins and which has not been approached to fund the new business.

Any options, buy-back arrangements or similar conditions attached to the contract of sale

None

Conclusion

I am pleased to advise you that the sale has preserved the jobs of the employees, thus reducing significantly the likely claims against the Company. Based upon current information, the sale offers the prospect of Bank of Baroda being paid their whole debt much sooner than having to call on the personal guarantees of the Directors as well as the likely realisations being in the order of £100,000 as opposed to about £35,000 in the event of liquidation. If you have any queries in relation to this matter please do not hesitate to contact either myself or my assistant, Arjun Malhotra, who are dealing with this case.



Ian Franses, Administrator

The Administrator will be an agent of the Company and act without personal liability.