

The Insolvency Act 1986

Administrator's progress report**2.24B**

Name of Company Ablegrand (2) Limited (in Administration)	Company number 04294608
In the High Court of Justice, Chancery Division, Companies Court [full name of court]	Court case number 11728 of 2008

(a) Insert full name(s)
and address(es) of
administrator(s)I / We (a) Thomas Andrew Jack, Alan Michael Hudson and Simon AllportErnst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY

administrators of the above company attach a progress report for the period

(b) Insert date	from (b) 24 December 2008	to (b) 23 June 2009
-----------------	------------------------------	------------------------

Signed

Joint Administrator

Dated

17/07/09

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

Steven Henderson	
Ernst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY	
	Tel: 0161 333 2749
DX Number:	DX Exchange:

MONDAY



PC2 20/07/2009 472
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

TO ALL KNOWN CREDITORS

17 July 2009

Ref: CR/SH/SW/J/NWM0911/PCF18

Direct line: 0161 333 2749
Direct fax: 0161 333 3008

Dear Sirs

Ablegrand (2) Limited (in Administration) ('the Company')

I write, in accordance with Rule 2.47 of The Insolvency Rules 1986, to provide creditors with a report on the progress of the Administration. This report covers the period from 24 December 2008 to 23 June 2009 and should be read in conjunction with the Joint Administrators' Statement of Proposals dated 16 February 2009 ('the Proposals')

Ablegrand (2) Limited entered Administration on 24 December 2008 and S Allport, A M Hudson and I were appointed to act as Joint Administrators. The appointment was made by a directors' application to Court under the provisions of Schedule B1 to the Insolvency Act 1986 ('The Act'). A summary of statutory information relating to the Administration is detailed at appendix 1.

Under the terms of the appointment, any of the functions to be performed by the Joint Administrators may be carried out or exercised by any one of them acting alone or by all of them acting severally.

Background

At the date of our appointment the Company was a non-trading entity within the Zavvi Group of companies ('the Group'), as detailed at appendix 5, and a wholly owned subsidiary of Ablegrand Limited (in Administration) ('AL'). However, it held numerous leases including a number of stores operated by Zavvi Retail Limited (in Administration) ('ZRL').

The Group was formed from a management buy out ('MBO') of the UK Virgin Megastore business, a division of the Virgin Group, in September 2007.

Summary of progress

Agency services

As a result of the new agency agreement entered into on 24 December 2008 by the Joint Administrators and Zavvi Limited ('ZL') to enable ZRL to continue to sell ZL's stock and use assets and/or rights relating to the Company in continued trading, the Joint Administrators were able to negotiate £0.2 million of funding for the Company.

Property

At the date of appointment the Company held the leases to a total of six properties. Four leases related to trading stores, one to a sublet property and one to a vacant store. As previously advised, ZRL historically met all of the Company's lease liabilities.

The Joint Administrators engaged Colliers CRE to market the Company's premises during January 2009. There was no interest in any of the Company's leases and the Joint Administrators therefore sought to surrender the leases to the premises following the cessation of trade by ZRL. At 23 June 2009, two of the Company's leases had been surrendered.

Other assets

We are not aware of any further assets in the Company.

Directors' conduct report

The Joint Administrators have submitted their confidential report on the conduct of all persons who have been directors or shadow directors of the Company during the three years preceding the appointment, to the Insolvency Service, in accordance with the provisions of the Company Directors Disqualification Act 1986.

Receipts and payments account

I enclose an abstract of receipts and payments for the Company in respect of the period from 24 December 2008 to 23 June 2009 at appendix 2. Please note that this does not reflect estimated future realisations or costs, although as noted above we are not aware of any further assets and therefore consider future realisations to be nil.

Outcome to creditors**Secured creditors**

There are no known secured creditors in this Administration.

Preferential creditors

There are no known preferential creditors in this Administration.

Unsecured creditors**Lease exit costs**

Lease exit costs are a contingent liability of the Administration and were estimated by the directors of the Company in the Statement of Affairs using the assumption that it takes each landlord two years to re-let the property. This is an illustrative assumption used by the directors and does not reflect an agreed methodology for the Joint Administrators or a future Liquidator in quantifying unliquidated claims.

Per the Statement of Affairs, these lease exit costs are estimated at circa £3.99 million.

The actual value of such claims will be affected by individual lease terms, the ability of the landlord to re-let the property and other mitigating steps. It should be noted that landlords have an obligation to mitigate losses in respect of such claims.

Trade creditors

Trade creditor claims continue to be received but are currently estimated at circa £0.43 million.

The Prescribed Part

The Prescribed Part is a proportion of floating charge assets set aside for unsecured creditors pursuant to Section 176A of the Act. The Prescribed Part applies to floating charges created on or after 15 September 2003.

There are no known unsatisfied floating charges over the Company's assets. As such, the Prescribed Part does not apply to this Administration.

Distributions to creditors

In the absence of any secured creditors or preferential claims in this Administration, the Joint Administrators estimate that there will be surplus funds to enable a dividend to be paid to unsecured creditors of the Company.

Until the final level of realisations is known, and the value of landlord and all other unsecured claims can be estimated with greater certainty, it is not possible to accurately estimate the level of final dividend available to unsecured creditors.

However, at this stage in the Administration, it is currently estimated that a dividend could be payable in the range of 1 to 4 pence in the £1.

Joint Administrators' remuneration and disbursements

It was proposed that the Joint Administrators' remuneration will be fixed on the basis of time properly spent by them and their staff in dealing with matters arising in the Administration.

At the time of issuing the Proposals it was not anticipated that there would be a dividend paid to unsecured creditors in this Administration. Consequently, in accordance with the provisions of Paragraph 52(1) of Schedule B1 to the Act, a creditors' meeting was not called and a creditors' committee was not formed. The Joint Administrators now expect a dividend will be payable and are therefore seeking the approval of the Company's unsecured creditors to fix their remuneration in accordance with the provisions of Rule 2.106 of the Insolvency Rules 1986.

It is proposed that this approval is sought through the calling of a creditors' meeting by correspondence. Accordingly, please be advised that two resolutions in respect of the Joint Administrators' remuneration and disbursements are attached to this report.

To date, the Joint Administrators have incurred time costs of £46,671, against which £nil has been drawn. An analysis of the time spent is attached at appendix 3 to this report. At appendix 4 there is a statement of the Joint Administrators' policy in relation to charging time and disbursements.

To date, £nil has been drawn in respect of disbursements. An analysis of disbursements by category is attached at appendix 3.

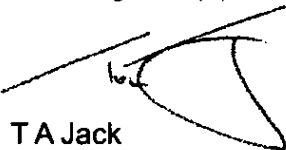
The end of the Administration

As set out in the Proposals, should there be a surplus available for unsecured creditors it is proposed that the Company will move straight into Creditors' Voluntary Liquidation ("CVL") upon the filing with the Registrar of Companies of a notice pursuant to Paragraph 83 of Schedule B1 to the Act. It was proposed that T A Jack and S Allport of Ernst & Young LLP be appointed as Joint Liquidators and any act required or authorised to be done by the Joint Liquidators may be done by either or both of them.

However, in the event that there is no surplus available at the end of the Administration to enable a distribution to be made to unsecured creditors, it was proposed that the Company will be dissolved. Accordingly, the Joint Administrators will send a notice to that effect to the Registrar of Companies. On registration of the notice the Joint Administrators' appointment will come to an end. In accordance with the provisions of Paragraph 84(6) of Schedule B1 to the Act the Company will be deemed to be dissolved three months after the registration of the notice.

I will report to you again at the conclusion of the Administration or in six months' time, whichever is the sooner.

Yours faithfully
for Ablegrand (2) Limited (in Administration)



T A Jack
Joint Administrator

Enc:	Appendix 1	Summary of statutory information
	Appendix 2	Joint Administrators' abstract of receipts and payments for the period from 24 December 2008 to 23 June 2009
	Appendix 3	Summary of Joint Administrators' time-costs and disbursements for the period from 24 December 2008 to 23 June 2009
	Appendix 4	Joint Administrators' policy on fees and disbursements
	Appendix 5	Zavvi Group structure

The Institute of Chartered Accountants in England and Wales authorises T A Jack and S Allport to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986 and The Association of Chartered Certified Accountants authorises A M Hudson to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986. The affairs, business and property of the Company are being managed by the Joint Administrators, T A Jack, A M Hudson and S Allport, who act as agents of the Company only and without personal liability.

Appendix 1**Ablegrand (2) Limited (in Administration)****Summary of Statutory Information**

Registered number:	04294608
Name of court:	High Court of Justice, Chancery Division, Companies Court
Court reference numbers:	11728 of 2008
Registered office address:	c/o Ernst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY
Administrators' names:	T A Jack, A M Hudson and S Allport
Administrators' address:	Ernst & Young LLP, 100 Barbirolli Square, Manchester M2 3EY
Date of appointment:	24 December 2008
Full name and address of the Appointors:	Directors of the Company Horatio House, 77-85 Fulham Palace Road, London, W6 8JA
Changes in office holder:	N/A
Statement of functions ¹ :	T A Jack, A M Hudson and S Allport act jointly and severally as Joint Administrators of the Company. Any and all functions of the Joint Administrators may be carried out by each of the Joint Administrators acting individually or acting together.

¹ In accordance with Paragraph 100 of Schedule B1 to the Insolvency Act 1986

Appendix 2

Ablegrand (2) Limited (in Administration)

Joint Administrators' abstract of receipts and payments for the period from 24 December 2008 to 23 June 2009

Statement of Affairs - Estimated to realise (£)	Period 24 Dec 08 to 6 Feb 09 (£)	Period 7 Feb 09 to 23 June 09 (£)	Total (£)
Receipts			
Non trading receipts			
Agency services	200,000.00	-	200,000.00
Bank interest	158.93	495.43	654.36
Total receipts	200,158.93	495.43	200,654.36
Payments			
Non trading payments			
Specific bond	264.00	-	264.00
Legal fees	-	20,235.20	20,235.20
Total payments	264.00	20,235.20	20,499.20
Balances in hand	199,894.93	(19,739.77)	180,155.16

Notes

Receipts and payments are shown net of VAT
All funds are held in interest bearing accounts
The receipts and payments account has been prepared on a cash basis and does not take account of future receipts and payments

Appendix 3

Ablegrand (2) Limited (in Administration)

Summary of Joint Administrators' time-costs and disbursements for the period from 24 December 2008 to 23 June 2009

Activity	Staff Grade					Total Hours	Total Cost (£)	Average hourly rate (£)
	Partner / Director	Senior Manager / Manager	Executive	Analyst	Other			
Accounting & Administration	1.5	6.7	5.8	1.9	-	15.9	4,399	277
Bank and Statutory Reporting	2.0	-	-	-	-	2.0	990	495
Creditors	4.0	11.5	11.0	-	-	26.5	9,100	343
Investigations & CDDA	2.0	-	-	1.5	-	3.5	990	283
Legal Issues	-	2.0	-	-	-	2.0	720	360
Other Assets	4.0	-	-	-	-	4.0	1,980	495
Other Matters	-	-	1.5	-	-	1.5	300	200
Property	10.5	-	39.7	-	-	50.2	12,868	256
Site Closures	-	10.5	-	19.0	-	29.5	7,215	245
Statutory Duties	-	2.0	24.2	1.5	-	27.7	6,723	243
Trading	1.5	-	1.0	-	-	2.5	948	379
VAT and Taxation	-	0.1	-	2.5	-	2.6	438	168
Total Hours	25.5	32.8	83.2	26.4	-	167.9		
Time Cost (£)	12,128	13,092	18,218	3,233	-		46,671	
Average Hourly Rate (£)	476	399	219	122	-		278	
Category 1 Disbursements	139							
Category 2 Disbursements	139							

Current charge out rates	Grade	Current hourly charge out rate (2008/2009) (£)
Restructuring	Partner / Director	405 - 495
	Senior Manager / Manager	360 - 490
	Executive	205 - 265
	Analyst	85 - 120
Tax	Senior Manager / Manager	470
	Analyst	230

Appendix 4**Ablegrand (2) Limited (in Administration)
Joint Administrators' policy on fees and disbursements*****Office Holders' Charging Policy for Fees***

It was proposed that the Joint Administrators' remuneration will be fixed on the basis of time properly spent by them and their staff in dealing with matters arising in the Administration.

A creditors committee was not formed in this Administration. The Joint Administrators are therefore seeking the approval of the Company's unsecured creditors to fix their remuneration in accordance with the provisions of Rule 2.106 of the Insolvency Rules 1986.

The Joint Administrators have engaged a manager and other staff to work on the case. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by cashiers dealing with the company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Joint Administrators.

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown in appendix 3, as are the current hourly rates used. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report.

Office Holders' Charging Policy for Disbursements

Statement of Insolvency Practice No. 9 ("SIP 9") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories.

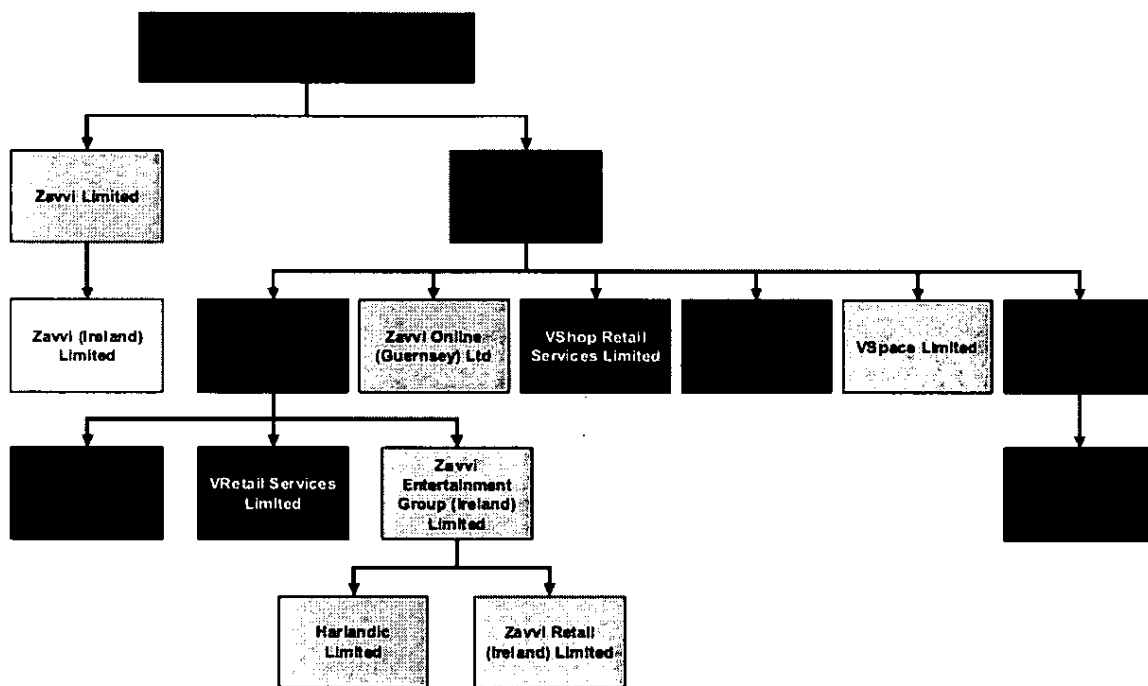
Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the Administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval. In line with SIP 9, it is our policy to disclose such disbursements drawn but not to seek approval for their payment.

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval from the unsecured creditors as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn.

The Joint Administrators are therefore seeking the approval of the Company's unsecured creditors to permit them to draw Category 2 disbursements.

Appendix 5

Ablegrand (2) Limited (in Administration) Zavvi Group structure



Solvent company
 UK company in Administration
 Company in Liquidation
 Pre-Dissolution / Dissolved

Notice of conduct of business by correspondence

Name of Company Ablegrand (2) Limited (in Administration)	Company number 04294608
In the High Court of Justice, Chancery Division, Companies Court <small>[full name of court]</small>	Court case number 11728 of 2008

- (a) Insert full name(s) and address(es) of the administrator(s) Notice is hereby given by (a) Thomas Andrew Jack, Alan Michael Hudson and Simon Allport
Ernst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY
- (b) Insert full name and address of registered office of the company to the creditors of (b) Ablegrand (2) Limited (in Administration)
c/o Ernst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY
- (c) Insert number of resolutions enclosed that, pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, enclosed are (c) 2 resolutions for your consideration. Please indicate below whether you are in favour or against each resolution.
- (d) Insert address to which form is to be delivered This form must be received at (d) _____
Ernst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY
- (e) Insert closing date by 17.00 hours on (e) 24 August 2009 in order to be counted. It must be accompanied by details in writing of your claim. Failure to do so will lead to your vote(s) being disregarded.
- Repeat as necessary for the number of resolutions attached
- Resolution (1) To fix the Joint Administrators' remuneration on the basis of the time properly given by the Joint Administrators and their staff in attending to the matters arising in the Administration and permit the Joint Administrators to charge for and draw fees in respect of such time costs from time to time during the Administration and as they see fit

For ☐ Against ☐

- Resolution (2) To permit the Joint Administrators to charge and draw payment for Category 2 disbursements from time to time during the Administration and as they see fit.

For ☐ Against ☐

TO BE COMPLETED BY CREDITOR WHEN RETURNING FORM:

Name of creditor: _____

Signature of creditor: _____

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

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

Signed _____

Joint Administrator

Dated _____

The Insolvency Act 1986
Administration Notice of Claim For Voting Purposes

Ablegrand (2) Limited (in Administration)

Date of Administration: 24 December 2008

PLEASE NOTE: Once completed, this form will be used by the Joint Administrators ONLY for the purposes of voting, either at a forthcoming meeting of creditors or for a resolution by correspondence. The form will not constitute admission of the claim to rank for dividend in this or any subsequent procedure. For further information see Rules 2.38 to 2.42 of the Insolvency Rules 1986.

Name of Creditor

Address

Amount claimed (see over)

Payments received in settlement or
part settlement of the debt

Is the claim preferential or

If secured, value of security

If you made a retention of title
claim against the company please
attach details (see over - Rule
2.42)

Signature on behalf of creditor

Date

Reviewed by _____

Notes To Administration Proof Of Debt Form:

1. Please attach a detailed statement of your account as at the date on which the company entered administration
2. If your claim is preferential (e.g. for wages, holiday pay or certain pension arrears) or secured please give details and attach supporting documentation.
3. VAT bad debt relief may usually be claimed six months after the date of supply.

Extracts from the Insolvency Rules 1986.

2.40 Secured creditors

- (1) At a meeting of creditors a secured creditor is entitled to vote only in respect of the balance (if any) of his debt after deducting the value of his security as estimated by him.
- (2) However, in a case where the administrator has made a statement under paragraph 52(1)(b) and an initial creditors' meeting has been requisitioned under paragraph 52(2) then a secured creditor is entitled to vote in respect of the full value of his debt without any deduction of the value of his security.

2.41 Holders of negotiable instruments

A creditor shall not vote in respect of a debt on, or secured by, a current bill of exchange or promissory note, unless he is willing –

- (a) to treat the liability to him on the bill or note of every person who is liable on it antecedently to the company, and against whom a bankruptcy order has not been made (or, in the case of a company, which has not gone into liquidation), as a security in his hands; and....
- (b) to estimate the value of the security and, for the purpose of his entitlement to vote, to deduct it from his claim.

2.42 Hire-purchase, conditional sale and chattel leasing agreements

- (1) Subject as follows, an owner of goods under a hire-purchase or chattel leasing agreement, or a seller of goods under a conditional sale agreement, is entitled to vote in respect of the amount of the debt due and payable to him by the company on the date that the company entered administration.
- (2) In calculating the amount of any debt for this purpose, no account shall be taken of any amount attributable to the exercise of any right under the relevant agreement, so far as the right has become exercisable solely by virtue of the making of an administration application, a notice of intention to appoint an administrator or any matter arising as a consequence, or of the company entering administration.