

The Insolvency Act 1986

Statement of administrators' proposals

Name of Company

Argyle Street Properties (No2) Limited

Company number

04500275

In the High Court of Justice, Chancery Division,
Companies Court

[full name of court]

Court case number
of 3483/2011

We Blair Carnegie Nimmo

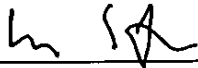
Gary Steven Fraser

KPMG LLP
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20 Castle Terrace
Edinburgh
EH1 2EG
United KingdomKPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

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

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

Signed


Joint Administrator

Dated

24/6/11

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 researchers of the public record.

Claire Ratcliffe
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20 Castle Terrace
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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

MONDAY



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27/06/2011
COMPANIES HOUSE

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**Argyle Street Properties (No 2) Limited
(in administration)**

**Joint Administrators' report to
creditors pursuant to Paragraph 49 of
Schedule B1 to
the Insolvency Act 1986**

23 June 2011

KPMG LLP

This report contains 17 pages

bcn/gsf/dcm/c1/982



*Joint Administrators' report to creditors pursuant to Paragraph 49 of Schedule B1 to
the Insolvency Act 1986
KPMG LLP
23 June 2011*

Notice: About this Report

This Report has been prepared by Blair Carnegie Nimmo and Gary Steven Fraser, the Joint Administrators of Argyle Street Properties (No 2) Limited, solely to comply with their statutory duty to report to creditors under the Insolvency Rules 1986 on the progress of the administrations, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This Report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in Argyle Street Properties (No 2) Limited.

Any estimated outcomes for creditors included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this Report for any purpose or in any context other than under the Insolvency Rules 1986 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Report to any such person.

Blair Carnegie Nimmo and Gary Steven Fraser are authorised to act as insolvency practitioners by the Institute of Chartered Accountants of Scotland. The Joint Administrators act as agents for Argyle Street Properties (No 2) Limited and contract without personal liability.

The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the administration.



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1 Introduction

We, Blair Carnegie Nimmo and Gary Steven Fraser of KPMG LLP were appointed Joint Administrators ("the Joint Administrators") of Argyle Street Properties (No 2) Limited ("the Company") on 3 May 2011

We were appointed by Anglo Irish Bank Corporation plc ("the Bank"), holder of a qualifying floating charge

In accordance with paragraph 100 (2) of schedule B1 of the Insolvency Act 1986 the functions of the Joint Administrators may be exercised by either of or both the Joint Administrators

In accordance with paragraph 49 of schedule B1 of the Insolvency Act 1986 we set out below our report to the creditors of the Company together with our proposals for achieving the purposes of the Administration and for the conduct of the Administration

The report also includes certain information which is required to be provided to creditors in accordance with Rule 2.33 of the Insolvency Rules 1986

2 Statutory and other information

A summary of the statutory and other relevant information relating to the Company is set out in Appendix 1

The receipts and payments account for the Company shows a nil return and has therefore not been included in the report

3 Background and events leading up to the appointment

3.1 Background

The Company was incorporated on 31 July 2002, and over the course of time purchased property at Argyle Street, Glasgow with the intention of pursuing the opportunity to develop the property into a luxury hotel and serviced apartments

3.2 Financial results

The latest audited accounts show the Company made a net loss of £6.8 million for the year to 31 March 2009. This is after a significant impairment of the property, writing down the book value from £19.7 million to £5 million in March 2009. The impact of this was to make the balance sheet insolvent, with net liabilities of £9.3 million at 31 March 2009.

3.3 Reasons for insolvency

The Company directors state that the reason for insolvency was the withdrawal of support from the Bank

4 Objectives of the Administrations

Paragraph 3 of Schedule B1 of the Insolvency Act 1986 sets out the three objectives of the Administration process. These are

- a rescuing the company as a going concern, or
- b achieving a better result for the company's creditors as a whole than if the company was wound up (without first being in Administration), or
- c realising property in order to make a distribution to one or more secured or preferential creditors

The administration strategy is to deal with any issues with regard to the development of the property and assess the best avenue for maximising value before realising the asset. We are therefore pursuing objective (b).

5 Events following the appointments including realisation of the assets

5.1 Initial review

Following the appointment, we met with the Company director, Charles Price in order to ascertain the Company's position and secure the books and records.

The property was secured and insurance put in place.

5.2 The property

The property site extends to the majority of the block bound by Argyle Street to the north, Robertson Lane to the south, Robertson Street to the east and York Street to the west. The exception to this is the Ho Wong Restaurant at 82 York Street and the Pawnbroker business at 311 Argyle Street.

We understand the site benefits from detailed planning permission for the erection of a hotel and serviced apartments with associated facilities and formation of basement parking and service area. In addition the site benefits from a valid conservation area consent and listing building consent. The three applications were granted planning consent in 30 May 2008.

The Company had sought to acquire the third party freehold interests being the Ho Wong Restaurant and the Pawnbrokers, but were unsuccessful. Glasgow City Council promoted

a Compulsory Purchase Order in July 2008 which was successful, however the Scottish Ministers who determined the Compulsory Purchase Order, received a number of objections which are yet to be resolved

5.3 Sale of the business and assets

Jones Lang LaSalle ("JLL") have been appointed to advise the Joint Administrators in relation to the property

We are obtaining a valuation of the site and considering the best strategy to optimise value of the property and therefore it is not currently being actively marketed. Interested parties should contact Jason Hogg of JLL on 0131 301 6710 or by email on jason.hogg@eu.joneslanglasalle.com

5.4 Work undertaken by the Joint Administrators

The work undertaken includes the following

- Meeting with the company directors in order to gain a detailed understanding of the property,
- Appointing an agent to provide valuations of the property and a strategy for marketing and selling the property,
- Dealing with enquiries in relation to the property,
- Liaising with creditors,
- Attending to all statutory matters associated with this type of insolvency

A full analysis of the Joint Administrators' costs to date is attached at Appendix 3 together with a creditors' guide to fees at Appendix 4

6 Amounts payable to secured creditors, preferential creditors and floating charge holders

6.1 Secured lenders

The amount outstanding to the Bank due by the Company at the date of appointment was £11,449,528

We understand that the Company has provided a cross-guarantee to the Bank in respect of the debt also due by BLN Property Developments Limited ("BLNPD"). The total debt due to the Bank is £17,505,198 (albeit this will be reduced by asset realisations in BLNPD)

It should be noted that interest continues to accrue on the outstanding balance

6.2 Preferential creditors

We are not aware of any preferential creditors

6.3 Floating charge

Anglo Irish Bank Corporation Ltd holds a floating charge over the business and assets of the Company

7 Summary of and commentary upon the statement of affairs

The directors' statement of affairs is included in Appendix 2

The directors have estimated that the sole asset of the Company, the property at Argyle Street, Glasgow, will realise £5.5million. We are not aware if this is based on an independent valuation. Given the commercially sensitive nature of information relating to the property, we are not able to comment further on the property value.

It should be noted that the statement of affairs does not take into account the costs of realising the assets and the business sales process on the costs of the administration process.

Based on the directors' statement of affairs, the secured creditor will be partially repaid and a dividend will not be available for unsecured creditors.

8 Prescribed parts of the Company's net property pursuant to Section 176A of the Insolvency Act 1986

The floating charge was granted after 15 September 2003. Therefore s 176A is applicable, which would allow a prescribed part of the Company's net property to be available for unsecured creditors.

The value of the Company's net property which would, but for s 176A, be available for the floating charge creditor is uncertain and therefore it is not known whether a prescribed part will be payable. We believe that all of the Company's assets are secured to the Bank and therefore it is unlikely a prescribed part dividend will be available.

9 Dividend prospects for creditors

Based upon the directors' statements of affairs and our comments above, the Bank should receive partial repayment of its debt. Unfortunately, there is no prospect of a dividend becoming payable to unsecured creditors other

10 Creditors' meetings

Pursuant to Paragraph 52(1) of Schedule B1 to the Insolvency Act 1986, the grounds where a meeting of creditors need not be held are where the Joint Administrators think as follows

- that the company has sufficient property to enable each creditor of the company to be paid in full,
- that the company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of Section 176(A)(2)(a) (Prescribed Part), and
- that neither of the objectives specified in Paragraph 3(1)(a) and (b) can be achieved

On the basis of current information the Joint Administrators believe that there will be insufficient funds to enable a distribution to be made to the unsecured creditors other than by virtue of the Prescribed Part and as such consider that the Paragraph 52(1)(b) of Schedule B1 to the Insolvency Act 1986 applies. Therefore the Joint Administrators do not propose to hold an initial meeting of creditors. The Joint Administrators are, however, required to summon an initial creditors meeting if it is requested

- by creditors of the Company whose debts amount to at least 10% of the total debts of the Company,
- in the prescribed manner (detailed below), and
- in the prescribed period (detailed below)

A request for an initial meeting of creditors must be made in writing to the Joint Administrators on the prescribed form as set out in Rule 2.37 of the Insolvency Rules 86 and include

- a list of the creditors concurring with the request, showing the amounts of their respective debts in the administration,
- from each creditor concurring, written confirmation of his concurrence, and
- a statement of the purpose of the proposed meeting

The costs of convening and holding the meeting shall be at the expense of the creditor making the request unless it is resolved at the meeting that these costs be paid out of the assets of the Company as an expense of the administration

If you wish to request a meeting of creditors please contact Douglas McGregor of my office on 0131 527 6706

If the Joint Administrators' are not requested to call a meeting within 8 business days of the date of this report the proposals (excluding proposals relating to the Joint Administrators' remuneration) will be deemed to have been accepted

Should any creditor request to establish a creditors committee then a creditors' meeting will need to be requested by that creditor in order to establish whether any other creditors wish to participate. In accordance with Rule 2.50 of the Insolvency Rules 1986, the committee will need to comprise of 3 to 5 members whose claims against the Company have not been rejected.

11 Joint Administrators' proposals

The Joint Administrators propose the following

- to continue to do all such things reasonably expedient and generally exercise all their powers as Joint Administrators as they, in their discretion, consider desirable in order to maximise realisations from the assets of the Company,
- to seek an extension of the administration period if deemed necessary by the Administrators,
- to continue to pursue and ingather the various debts still due to the Company,
- to continue to pursue any legal actions while it remains economical to do so,
- to continue to realise the tangible assets of the Company,
- that in the event that no creditors' committee is formed, the Joint Administrators' remuneration will be based upon time costs properly incurred at KPMG LLP time rates determined in accordance with the Insolvency Rules 1986. They be authorised to draw fees on account from the assets of the Company together with disbursements. A copy of "A creditors' guide to administrators' fees" is attached as Appendix 4,
- that the costs of KPMG LLP in respect of tax, VAT and pension advice provided to the Joint Administrators be based upon time costs at KPMG LLP rates and shall be paid out of the assets of the Company,
- as it is anticipated that the only practicable objective of the Administration is to realise assets and to make a distribution to the secured creditors, that the Joint Administrators be permitted to pay any realisations to secured creditors and then take the appropriate steps to dissolve the Company,
- that the Joint Administrators be discharged at the end of the Administration from liability in respect of any action of theirs as Joint Administrators pursuant to paragraph 98 (1) of schedule B1 of the Insolvency Act 1986 immediately following the registration of the notice given pursuant to paragraph 84 of schedule B1 of the Insolvency Act 1986, or
- alternatively, in the event that there are sufficient funds to make a distribution to unsecured creditors (or for any other reason), the Joint Administrators be permitted to move the Company from Administration to Creditors' Voluntary Liquidation, and for the appointment of Blair Carnegie Nimmo and Gary Steven Fraser as Joint Liquidators of the Company without further recourse to creditors. In accordance with Paragraph 83 (7) of Schedule B1 to the Insolvency Act 1986 and Rule 2.117(3) of the Insolvency Amendment Rules 2003, creditors may

nominate a different person as the proposed Liquidator, provided that the nomination is made after the receipt of the Proposals and before the Proposals are approved,

- that the Joint Administrators be discharged at the end of the Administration from liability in respect of any action of theirs as Joint Administrators pursuant to paragraph 98 (1) of schedule B1 of the Insolvency Act 1986 immediately upon their appointment as joint administrator ceasing to have effect

12 Extension to the periods of appointment

Our appointment as Joint Administrators will automatically cease at the end of the period of one year beginning with the date on which they took effect pursuant to Paragraph 76(1) of Schedule B1 to the Insolvency Act 1986

We may need to seek an extension of the appointment period, should all matters not be resolved by this time, and will advise creditors in due course if an extension of the Administration will be required

13 Director's conduct

We are required under the Company Directors' Disqualification Act 1986 to submit a report or a return to the Department of Trade and Industry on the conduct of any person who has been a director or shadow director of the Company at any time in the three years immediately preceding our appointment

We would be grateful to receive any comments that unsecured creditors or any other party may wish to make in order to assist in our investigations into the Company's affairs and in our preparation of comments for submission to the DTI. Such comments, if required, can be treated in the strictest confidence

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Joint Administrators' report to creditors pursuant to Paragraph 49 of Schedule B1 to
the Insolvency Act 1986

KPMG LLP

23 June 2011

Appendix 1

EC Regulation

This Administration is a main proceeding under the EC Regulation on Insolvency Proceedings. Article 3 of the EC Regulation defines main proceedings and the Company is registered in England, has its main centre of interest in England and does not fall within one of the excepted categories. Consequently, the Administration is governed by the Insolvency Act 1986 and not any other European Union Member State's insolvency law.

Relevant court

Notice of the appointment of the Joint Administrators was lodged at the High Court of Justice on 3 May 2011.

Secured lenders

The only secured lender is Anglo Irish Bank Corporation plc, who has a fixed and floating charge dated 29 June 2005 and registered 5 April 2005.

Incorporation

The Company was incorporated on 31 July 2002.

Registered office and trading address

The Company's former registered office was situated at

32 Queen Anne Street
London
W1G 8HD

As part of the Administration process, the registered office has been changed to

c/o KPMG LLP
8 Salisbury Square
London
EC4Y 8BB



Joint Administrators' report to creditors pursuant to Paragraph 49 of Schedule B1 to
the Insolvency Act 1986

KPMG LLP

23 June 2011

Company number

The company number is 04500275

Directors

The directors at the date of our appointment were

Paul Clarke	Appointed 4 October 2004
Kevin Fawcett	Appointed 20 July 2005
Charles Ian Price	Appointed 23 April 2003
Denise Price	Appointed 10 October 2003

There were no other directors during the three years prior to the date of our appointment

Company secretary

The company secretary at the date of our appointment was Paul Clarke.

Share capital

The authorised, issued and called up share capital is 1 ordinary share of £1

The share is owned by Argyle Street Properties (No 1) Ltd

Financial information

A summary of the Company's most recent available financial information is set out below



Joint Administrators' report to creditors pursuant to Paragraph 49 of Schedule B1 to
the Insolvency Act 1986

KPMG LLP

23 June 2011

Figure 1: Profit and loss account

Audited accounts	Year to 31 March 2009	Year to 31 March 2008
	£000	£000
Turnover	9	28
Administrative expenses	(414)	(738)
Impairment	(4,932)	-
Loss on ordinary activities	(5,337)	(710)
Interest	(1,430)	(740)
Loss before tax	(6,767)	(1,450)
<i>Source Audited statutory accounts</i>		

Figure 2: Balance sheet

Audited accounts	31 March 2009	31 March 2008
	£000	£000
Fixed assets	5,000	19,700
Current assets	395	480
Current liabilities	(10,831)	(11,143)
Total assets less current liabilities	(5,436)	9,037
Liabilities greater than 1 year	(3,895)	(1,362)
Net (liabilities)/assets	(9,331)	7,675
<i>Source Audited statutory accounts</i>		



Joint Administrators' report to creditors pursuant to Paragraph 49 of Schedule B1 to
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KPMG LLP

23 June 2011

Appendix 2

Estimated Statement of Affairs as at 3 May 2011

Estimated to realise
£

Assets specifically secured

Land and Buildings 5,000,000

Less amounts due to secured creditor (11,449,528)

(6,449,528)

Liabilities

Amount due to unsecured creditors (4,831,922)

Deficit as regards to creditors (11,281,450)

Share capital (1)

(Deficit) as regards to members (11,281,451)

Source Company records



Joint Administrators' report to creditors pursuant to Paragraph 49 of Schedule B1 to
the Insolvency Act 1986

KPMG LLP

23 June 2011

Appendix 3

Administrators' time costs and disbursements

Argyle Street Properties (No2) Limited
03/05/2011 to 22/06/2011

	Partner	Senior manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Administration & planning							
Cashiering							
General (Cashiering)			1 30	0 30	1 60	£260 50	£162 81
General							
Fees and WIP			0 20		0 20	£48 00	£240 00
Statutory and compliance							
Appointment and related formalities	1 90	4 55	9 60		16 05	£4,920 25	£306 56
Bonding and bordereau			0 30		0 30	£72 00	£240 00
Reports to debenture holders	2 40	3 00			5 40	£2 379 00	£440 56
Strategy documents	0 60		1 00		1 60	£516 00	£322 50
Tax							
Post appointment VAT			1 50		1 50	£360 00	£240 00
Creditors							
Creditors and claims							
Statutory reports			8 50	0 80	9 30	£2 128 00	£228 82
Employees							
Pension funds			1 00		1 00	£175 00	£175 00
Pensions reviews			0 25		0 25	£43 75	£175 00
Investigation							
Directors							
Correspondence with directors	3 00				3 00	£1 380 00	£460 00
Realisation of assets							
Asset Realisation							
Freehold property	11 70	101 95			113 65	£48,860 75	£429 92
Health & safety		0 50	0 25		0 75	£216 25	£288 33
Total in period					154 60	£61 359 50	£396 89



Joint Administrators' report to creditors pursuant to Paragraph 49 of Schedule B1 to
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KPMG LLP

23 June 2011

Appendix 4

A creditor's guide to administrators' fees

A creditor's guide to fees can be found at

<https://www.r3.org.uk/uploads/documents/Guide%20to%20Administrators%20Fees.pdf>

However if you are unable to access this guide and would like a copy, please contact
Claire Ratcliffe on 0131 527 6774