

The Insolvency Act 1986

Administrator's progress report

Name of Company Brentwood Hotels Limited

Company number 05920520

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

Court case number 16172 of 2009

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

We (a) James Douglas Ernle Money and Anthony Cliff Spicer of Smith & Williamson Limited

Moorgate 25 Moorgate London EC2R 6AY

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

from

to

(b) 16 January 2010

(b) 9 July 2010

(b) Insert dates

Signed

Joint Administrator

Dated

9 July 2010

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.

Smith & Williamson Limited

25 Moorgate London EC2R 6AY

Tel 0207 1314621

DX Number

DX Exchange

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

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COMPANIES HOUSE

Smith & Williamson

Brentwood Hotels Limited (in administration)

Joint administrators' final progress report to creditors

9 July 2010

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1. Introduction

Further to our appointment as administrators of Bientwood Hotels Limited ("the Company"), we present our final progress report on the administration pursuant to Rule 2.47 and 2.110 of the Insolvency Rules 1986 and attach as Appendix A, the required statutory information.

This report should be read in conjunction with the administrators' amended proposals dated 8 September 2009 attached as Appendix B and the administrators' first progress report dated 11 February 2010 ("the First Progress Report") and relates to the period 16 January 2010 to 9 July 2010.

2. Progress of the administration since 15 January 2010

2.1 Receipts & payments

We attach as Appendix C to this report, an abstract of our receipts and payments for the period from 16 January 2010 to 9 July 2010.

We trust that the abstract is self explanatory but comment on the more significant receipts and payments below. For the avoidance of doubt, as previously, it should be noted that this is a receipts and payments account that reflects the movement of funds to and from the administrators' bank accounts and that this will not necessarily be referable to the anticipated final outcome of the trading of the hotels given the effect of transactions where the cash is either yet to be received or paid. This will be reported by the liquidators in due course.

Please note that the trading income and certain other receipts have been stated gross of VAT for the sake of administrative convenience.

2.2 Receipts

2.2.1 Income

Income in the period consisted principally of the collection of receivables relating to the period of the administrators' trading and the collection of the pre-administration receivables.

2.2.2 Third party funds and sales

As previously, this relates to funds passing through the administrators' accounts that appear to relate to trading of some of the hotels after the date that the Company ceased operating the hotels. These funds have in part been passed onto the rightful beneficiary and this payment is shown under the heading 'Repayment of 3rd Party Funds'.

2.3 Payments

2.3.1 General payments

Payments, excluding agents, legal and administrators' fees made during the period related to trading expenses that had been accrued during the period that the administrators operated the various hotels and are, we believe, largely self explanatory

2.3.2 Administrators' fees and expenses

In the period 16 January 2010 – 9 July 2010, fees of £500,000 calculated on the basis of our remuneration agreed by creditors being based on the time spent by the administrators and their staff in attending to matters arising in the administration were paid. This amount is inclusive of £200,000 of remuneration which, whilst not reflected as having been paid in the receipts and payments account to 15 January 2010 which formed part of the First Progress Report dated 11 February 2010, was disclosed as having been paid after 15 January 2010 in section 7 of the First Progress Report

2.3.3 Agents fees and expenses

Agents were instructed to act on the Company's behalf in relation to the appraisal and sale of certain of the assets from Stockton and to give advice on alternative realisation strategies for the assets in the other hotels

Costs incurred since those set out in the First Progress Report total fees of £3,106.77 and expenses of £5.20

2.3.4 Legal fees and expenses

Further payments totalling £22,000 of legal fees and £113.97 of legal expenses were made to Addleshaw Goddard LLP, Solicitors in relation to the matters on which they were instructed in respect of the administration generally which include the matters arising from the sale of the trading assets of the various hotels and certain claims available to the Company and/or the administrators

2.4 Transfer of administration into liquidation

A copy of this report has been sent to the registrar together with form 2.34B for the purposes of converting the administration into a creditors' voluntary liquidation as contemplated in the administrators' proposals

3. Investigations

As previously advised, we are obliged to invite any creditor who may feel that there are certain matters that we should be made aware of in respect of the conduct of any director of the Company to write to us. This invitation forms part of our usual investigation procedures and is not intended to imply any criticism of the directors or their conduct

4. Outstanding Matters

4.1 Assets and other issues to be dealt with in the liquidation

4.1.1 Realisation of trading and pre-administration receivables

The nature of the business of the hotels was such that they were, to a significant extent, reliant on bookings from (or via) corporate and web based travel and booking agents. With such entities, the Company would grant credit terms to the booking/travel agent, the customer would pay the agent in advance and then the Company would be paid afterwards, in some circumstances less a booking commission. Consequently, at any point in time, a substantial proportion of the Company's turnover was reflected in receivables.

Following the transactions involving the Imperial and the Vasella Hotels, the quantum of the receivables relating to the pre administration period was several hundred thousands of £Sterling. Each of the sale and purchase agreements for the Imperial and Vasella Hotels provide for the relevant purchaser to participate in the collection of these amounts and to pay them to the Company.

The collection of these amounts, reconciliation of the amounts collected on behalf of the Company by the purchasers (and in respect of Vasella, the amounts collected by the Company that are due to Vasella), and settlement of the few remaining trading liabilities are all continuing, albeit that this is now practically complete. We have been aided in this by Cierar Management Limited.

4.1.2 Tax Matters

It is necessary for the administrators to consider the tax affect of the realisations of assets of the Company and the continuation of trading of the business of the Company in the administration.

Smith & Williamson Limited's Corporation Tax Department has been instructed to review this matter and to consider other matters salient to the Company's tax position in the respect of the pre and post administration periods.

4.1.3 Other receivables and claims by the Company

The administrators are currently considering the Company's position in respect of certain claims relating to the period prior to administration including, but not limited to, insurance claims arising from the fire at the Imperial in 2008.

Where appropriate and commercially expedient, the administrators will cause the Company to seek to recover any amounts arising from such claims. However, as the likelihood of recovering any amounts arising from these claims is unclear, we are unable to comment on the total impact that such recoveries may have on the amounts to be available to the non-preferential unsecured creditors.

4.2 Unpaid administration expenses

Excluding undrawn administrators' remuneration, unpaid administration expenses consist mainly of unpaid trading purchases and provisions for retention of title claims. It is anticipated that these will be resolved shortly following liquidation.

5. Prescribed part and net property

Under the provisions of Section 176A of the Insolvency Act 1986, we must report on the amount of funds available for distribution to unsecured creditors in respect of the prescribed part

The administrators' proposals dated 8 September 2009 advised that to the best of the administrators' knowledge, there are no holders of security created by Brentwood that holds a floating charge or would otherwise constitute a qualifying floating charge and therefore the provisions of Section 176a of the Insolvency Act 1986 cannot apply

6 Outcome for creditors

6.1 Secured creditors

There are no known secured creditors

6.2 Preferential creditors

Based on the information currently available, it appears that the only preferential claims will be from certain of the former employees of the Company in relation to wages and holiday pay. Such claims are currently being processed in conjunction with the Redundancy Payments Office and the final quantum of such claims is as yet unknown

However, subject to any unforeseen issues arising in relation to the final recovery of the trading receivables and reconciliation of the unpaid trading purchases and other expenses, it is currently anticipated that the preferential claims will be paid in full

6.3 Unsecured creditors

Given our comments in relation to the preferential creditors as referred to in section 6.2 above, whilst it is currently anticipated that there will be funds available to pay to the non-preferential unsecured creditors, the amount anticipated to be available for them remains unclear

7. Administrators' fees & disbursements

The administrators' fees are charged on a time cost basis as detailed in the administrators' proposals and the basis of the administrators' remuneration was approved by creditors at the first meeting of creditors convened pursuant to Paragraph 51 to Schedule B1 of the Insolvency Act 1986 and were approved by the creditors in accordance with the provisions of Rule 2.106(5) of The Insolvency Rules 1986

In accordance with Statement of Insolvency Practice 9 ('SIP 9'), we attach as Appendix D a breakdown of our time costs for the period from the start of the administration to 30 June 2010. For this period, the joint administrators and their staff have spent approximately 2,822 hours in attending to matters arising in the administration, at an average charge out rate of approximately £267 per hour, which totals £754,394

As noted in 2.3.2 above £700,000 had been paid in respect of these time costs as at 9 July 2010

Whilst this represents a significant amount of time charged by the administrators and their staff in attending to matters arising in the administration, the level of activity incurred by the administrators has reduced significantly following the date of the First Progress Report, albeit that a significant proportion of the time latterly incurred still relates to reconciling the receipts going through the administrators' accounts between the Company, Vasella and (to a lesser extent) the Purchaser of the Imperial. As previously advised this amount of time incurred is significantly greater than that originally anticipated and is due to circumstances beyond the administrators' control, but has ensured that the administrators have maximized pre and post appointment income, with payments being properly apportioned to the new operators of the businesses.

We also attach as Appendix E and Appendix F a summary of the current Smith & Williamson Limited charge out rates. Please note that the Smith & Williamson Ltd charge out rates sent out with the First Progress Report were incorrect and the rates included with this report should have been used, they are consistent with the rates disclosed to creditors in the administrators' proposals for approving the basis of our remuneration.

Since 1 January 2003, disbursements incurred by insolvency practitioners are reported to creditors in two categories. Category one disbursements are those directly attributable to the administration and relate to the reimbursement of expenditure properly incurred in the administration, as defined by SIP 9. Category one disbursements of £2,686.60 have been accrued in the course of the administration. These disbursements principally relate to company searches, the statutory insolvency bond and travel to the Company's premises, all of which have been paid.

Category two disbursements relate to any expense recharged to the case by the administrators' firm. No category two disbursements will be drawn during the course of the administrations.

8. Achieving the purpose of the administration

Under paragraph 3(1) of Schedule B1 to the Insolvency Act 1986, the joint administrators must perform their functions with the objective of, and in order of priority of purpose -

- Rescuing the Company as a going concern, or
- 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
- Realising property in order to make a distribution to one or more secured or preferential creditors.

The administrators are of the view that the second purpose has been achieved and also believe that the third purpose has been achieved as, whilst there are no secured creditors, there will be sufficient funds available to enable the preferential creditors to be paid in full and, it is anticipated, there will be funds available to distribute to the non-preferential unsecured creditors.

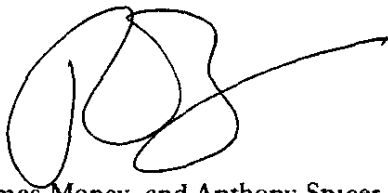
9. Ending of the administration

Since one or more of the purposes of the administration have been achieved and the administrators have formed the view that a distribution may be made to the unsecured creditors of the Company, the

administrators are taking steps to move the Company from administration to creditors' voluntary liquidation pursuant to paragraph 83 of Schedule B1 to the Insolvency Act 1986. The effective date that the appointment of the administrators shall cease to have effect and the Company shall be wound up will be the date that the Registrar of Companies registers the administrators' notice that paragraph 83 applies.

Once the effective date of liquidation is known, the liquidators will write to all known creditors summoning a meeting of creditors (for the purpose only of passing certain resolutions) and inviting creditors to prove their claims.

In accordance with the administrators' proposals approved by creditors, the administrators will be appointed as joint liquidators of the Company.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

James Money and Anthony Spicer
Joint Administrators

Appendix A. Statutory information

Relevant Court High Court of Justice
 Chancery Division
 Companies Court
 The Strand
 London

Court Reference 16172 of 2009

Trading Name None

Former Name None

Registered Office 25 Moorgate
 London
 EC2R 6AY

Registered number 05920520

Joint Administrators James Money and Anthony Spicer
 Smith & Williamson Limited
 25 Moorgate
 London
 EC2R 6AY

All functions are to be exercised by the administrators jointly and severally

Date of Appointment 16 July 2009

Appointor High Court of Justice

Shares Held

Company Directors	Reit (Corporate Services) Ltd	None
	Maurice Moses Benady	None
	Christopher George White	None
	Trafalgar Officers Limited	None

Company Secretary	Reit (Corporate Services) Limited	None
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Appendix B Administrators' proposals

In respect of the Company the administrators propose that

- a) They continue to do all such things reasonably expedient and generally exercise all their powers as administrators as they, in their discretion, consider desirable in order to maximise realisations
- b) They may seek an extension to the administration periods if deemed appropriate in accordance with Paragraph 76(2) (b) of Schedule B1 to the Insolvency Act 1986
- c) When it is anticipated that no better realisations will be made in the administrations than would be available in a winding up and that there is no further discernible benefit from Brentwood remaining in administration, the administrators should take the necessary steps to move from administration to creditors' voluntary liquidation or dissolution should the administrators form the view Brentwood has no property which might permit a distribution to non-preferential unsecured creditors
- d) If Brentwood is moved into creditors' voluntary liquidation, James Money and Anthony Spicer of Smith & Williamson Limited may be appointed liquidators. In accordance with paragraph 83(7) and Rule 2.117(3) of the Insolvency Act 1986, creditors may nominate (a) different person(s) as the proposed liquidator(s), provided that the nomination is made after the receipt of the proposals and before the proposals are approved
- e) The administrators will be remunerated on the basis of time properly given by them and their staff in attending to matters arising in the administration in accordance with Rule 2.106(2) of the Insolvency Rules 1986 and that the administrators be authorised to draw such remuneration and disbursements arising from the assets of Brentwood from time to time
- f) The administrators will be discharged from liability in respect of any action of theirs as administrators upon the termination of the administration, pursuant to paragraph 98(1) of Schedule B1 of the Insolvency Act 1986
- g) That the costs of Smith & Williamson Limited in respect of Tax and VAT advice to the administrators be based upon time properly given by them in attending to matters arising in the administration and shall be paid out of the assets of Brentwood
- h) That the costs of Smith & Williamson Financial Services Limited in respect of pension advice to the administrators be based upon time properly given by them in attending to matters arising in the administration and shall be paid out of the assets of Brentwood
- i) Pre-appointment fees and expenses unpaid at the commencement of the administration may only be paid to the extent permitted by Rule 2.67(1) c of the Insolvency Rules 1986. The administrators will provide creditors with a detailed account of such expenses paid from administration funds. Pre-appointment fees and expenses not payable within Rule 2.67(1)c of the Insolvency Rules 1986 shall rank as an unsecured claim alongside other ordinary creditors

Appendix C. Receipts and Payments from 16 January 2010 to 9 July 2010

Brentwood Hotels Limited (In Administration)

Summary of Receipts & Payments 16 January 2010 to 09 July 2010

RECEIPTS	Total (£)
Brought Forward	5,027,386 21
Income	165,606 64
Consumable Stores	4 687 69
Furniture & Equipment	325 00
Pre-Administration Receivables	402 49
Insurance Refund	88 48
Cash at Bank	1,180 85
Bank Interest Gross	2,596 49
Repayment of 3rd Party Funds	386,083 46
VAT Payable Flt Chg	1,216 88
	<u>5,589,574 19</u>
PAYMENTS	
Brought Forward	3,375,241 38
Heat & Light	7,246 32
Hire of Equipment	46,116 92
Sundry Expenses	112 18
Sales Commission	22,565 75
Waste Disposal & Collection	9,969 43
Advertising	467 25
Stationery	2,017 95
Payroll Processing Costs	44 51
Merchant Services Charges	371 28
IT Fees	8,349 89
Hotel Management Fees	92,398 64
Repairs & Maintenance	1,084 95
Water Services	1,207 62
Rates	15,425 02
Temporary Staff	325 00
Third Party Funds & Sales	630,920 93
Specific Bond	1,600 00
Administrators' Fees	500,000 00
Travel Expenses	800 81
Couriers	130 70
Agents/Valuers Fees	3,106 77
Agents/Valuers Expenses	5 20
Legal Fees	22,000 00
Legal Expenses	113 97
Company Search	155 09
Storage Costs	120 64
Other Property Expenses	6,752 00
Bank Charges	75 00
VAT Receivable Flt Chg	121,658 50
FLT Vat Control Account	334,502 91
	<u>5,204,886 61</u>
Balance In Hand	<u>384,687 58</u>
	<u>5,589,574 19</u>

Appendix D. Breakdown of Time Costs (SIP 9) to 30 June 2010

Brentwood Hotels Limited
Breakdown of time spent by Smith & Williamson Limited employees
for the period ended 30 June 2010
Hours

Classification of work function	Director	Associate director	Manager/ Assistant Manager	Senior Administrator/ Administrator	Assistants & support staff	Total hours	Time cost	Average hourly rate
Administration & planning	87 00	42 60	90 65	103 55	236 90	560 70	£145 771 50	£259 98
Investigations	0 00	1 90	28 50	0 00	0 00	30 40	£7 334 00	£241 25
Realisation of Assets	36 75	133 70	0 00	2 00	0 00	172 45	£67 525 75	£391 57
Trading	20 45	369 05	341 00	967 30	153 15	1 850 95	£477 353 50	£257 90
Creditors	3 50	31 25	14 65	33 25	40 25	122 90	£26 171 50	£212 95
Corporate Tax	44 05	35 35	0 00	0 00	3 45	82 85	£30 062 75	£362 86
Financial Services	0 00	0 00	1 25	0 00	0 00	1 25	£175 00	£140 00
Totals	191 75	613 85	476 05	1 106 10	433 75	2 821 50	£754 394 00	£267 37
Pre-appointment	20 00	25 65	18 50	0 00	7 00	71 15	£23,332 75	£327 94

Appendix E. Schedule of Charge-out Rates: Restructuring & Recovery

Smith & Williamson Limited
Restructuring & Recovery Services
Charge out rates listed by staff classification

	£
Director	500
Associate Director	420
Senior Manager/Manager/Assistant Manager	280-360
Senior Administrator/Administrator	200-250
Support staff	80-250

Appendix F. Schedule of Charge-out rates: Corporate Tax

**Smith & Williamson Limited
Corporate Tax**

Charge out rates listed by staff classification

	£
Director	455-510
Associate Director	320 - 335
Senior Manager	275
Manager	225 - 230
Assistant Manager	200
Senior	120 -135
Tax Trainee	80 - 105