

**2.24B**

The Insolvency Act 1986

**Administrator's progress report**

Name of Company Heavy Productions Limited	Company number 06055003
In the High Court (full name of court)	Court case number 6293 of 2007

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

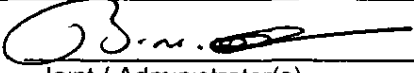
I/We (a)  
 Brian Johnson  
 Fisher Partners  
 Acre House  
 11-15 William Road  
 London  
 NW1 3ER

Stephen Katz  
 Fisher Partners  
 Acre House  
 11-15 William Road  
 London  
 NW1 3ER

administrator(s) of the above company attach a progress report for the period

From (b) 24 September 2007	To (b) 23 March 2008
-------------------------------	-------------------------

Signed

  
 Joint / Administrator(s)

Dated

24/4/08

**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

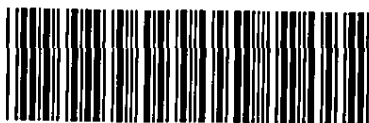
Brian Johnson  
 Fisher Partners  
 Acre House  
 11-15 William Road  
 London  
 NW1 3ER

DX Number

020 7388 7000  
 DX Exchange

de

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**



\*APKBDZ7D\*

A24 26/04/2008 61  
 COMPANIES HOUSE

SATURDAY

**Joint Administrators'  
Progress Report  
For the Period  
24 September 2007 to 23 March 2008**

**Heavy Productions Limited  
- In Administration**

## **CONTENTS**

- 1 Statutory Information
- 2 Progress of the Administration
- 3 Assets still to be realised
- 4 Joint Administrators' Remuneration
- 5 Outcome for Creditors
- 6 Ending the Administration
- 7 Next Report

## **APPENDICES**

- A Receipts and Payments Account from 24 September 2007 to 23 March 2008
- B Time Analysis for the period 24 September 2007 to 23 March 2008
- C Additional Information in relation to Joint Administrators' fees pursuant to Statement of Insolvency Practice No 9

## **THE JOINT ADMINISTRATORS' PROGRESS REPORT**

### **1. Statutory information**

- 1 1 I was appointed Joint Administrator of the Company together with Stephen Katz on 24 September 2007 by the High Court of Justice. The application for the appointment of an Administrator was made by the directors of the Company, with the consent of Panavision Europe Limited, the petitioning creditor.
- 1 2 The administration is being handled by the High Court of Justice, Companies Court, Chancery Division, reference number 6293 of 2007.
- 1 3 The trading address of the Company is at 45 Poland Street, London, W1F 7NA.
- 1 4 The registered office of the Company is Acre House, 11/15 William Road, London, NW1 3ER, and its registered number is 06055003.
- 1 5 In accordance with Paragraph 100(2) of Schedule B1 to the Insolvency Act 1986, the function of the Joint Administrators may be exercised by either or both, acting jointly or alone.

### **2. Progress of the Administration**

- 2 1 Attached as Appendix A is my Receipts and Payments Account for the period from 24 September 2007 to 23 March 2008.
- 2 2 Since my last report dated 15 November 2007, the following issues have been dealt with:
- 2 3 As previously reported, the Company made an insurance claim under its insurance policy to recover costs it incurred resulting from a lost day of filming. I have continued to work with Lockton, my insurance brokers, and Richard Hyland of Hunt Film Limited ("HFL"), the Company's bookkeeper, to produce the necessary paperwork to progress the claim. The paperwork was submitted to

the loss adjuster appointed by the Company's insurers for review. The Company's initial claim totalled £46,770.91.

- 2.4 After the loss adjuster's initial queries were dealt with, the loss adjuster made an offer to settle the claim at £36,011.11. The settlement excluded certain Actors expenses totalling £7,724.80, for which there is currently inadequate back-up documentation, and other equipment expenses totalling £1,535, largely based on the argument that the policy does not cover consequential loss.
- 2.5 Following a recent meeting, the loss adjuster agreed to increase the settlement by £2,536, after the inclusion of certain previously excluded costs. The offer now stands at £38,547.11.
- 2.6 Despite many requests, Lockton have not been provided with any policy documentation and cannot advise me on the consequential loss issue. I am currently exploring what documentation would be required in order to bolster the claim further and whether this exercise would be feasible given the amount involved.
- 2.7 Shortly, after the 6-month period, I received the sum of £14,813.03 representing VAT reclaimed from HM Revenue & Customs ("HMRC") after various Crown liabilities totalling £27,991.04 had been set-off. Additional invoices have come to light, which has enabled me to submit a further VAT reclaim for £7,394.56, which I hope to receive in early course, now that there are no pre-administration Crown liabilities.
- 2.8 Creditors will recall that the Company is entitled to tax credits in relation to certain expenditure relating to the film Lerman Jacob Davis ("LJD"), the Company's accountants, were instructed to deal with this matter and have continued to liaise with HFL and the appropriate Inland Revenue office. In order for the tax credit claim to be submitted, LJD have had to prepare accounts for the Company up to the date of administration. I, along with the directors of the Company, have recently reviewed the draft accounts and they have now been amended to reflect our comments. In addition, the Company has had to apply to the UK Film Council for a British Film Certificate in relation to 'The Heavy'.

Without this certificate, the Company will be unable to submit a claim John Cairns of Parkland Enterprises Limited ("Parkland") has agreed to assist in completing the relevant application for submission to the UK Film Council I understand that provided the film passes the relevant test, a certificate can be issued within three weeks from the date of submitting the application

2 9 Following the completion of the filming and some initial editing, Parkland have continued to explore the possibility of finding additional funding to complete post production, which will enhance the potential recovery for the benefit of creditors Since my last report, I have met with Parkland to discuss their progress I understand that Parkland is close to reaching a successful conclusion to this matter

2 10 In the interim, a trailer of the film has been produced together with some marketing literature The film has been marketed at the Berlin Film Festival and future marketing will take place at Cannes

### **3. Assets still to be realised and other outstanding matters**

3 1 As explained in section 2 above, it is anticipated that a further £7,394 56 will be received in early course in relation to a further Vat reclaim

3 2 I will continue to work alongside LJD and Parkland in order that the tax credit claim can be submitted Creditors will recall that the directors have estimated that these credits should realise the sum of £175,000

3 3 The insurance claim will continue to be reviewed with the assistance of Lockton and HFL with a view to reaching a settlement with the loss adjuster in due course

3 4 As explained above, parkland have not yet obtained the additional funding to complete the editing of the film When this has been finalised, I shall take steps to propose a Company Voluntary Arrangement ("CVA") On approval of the

CVA, I intend to facilitate the payment of an interim dividend to creditors once the insurance claims and tax credits have been realised

#### **4. Joint Administrators' Remuneration**

4 1 Creditors approved the Joint Administrators' remuneration, and agreed that it be fixed by reference to the time properly spent by them and their staff in managing the administration

4 2 The Joint Administrators' time costs as at 23 March 2008 are £44,556 05 represents 240 63 hours at an average hourly rate of £185 16 Attached at Appendix B is a Time Analysis which provides details of the activity costs incurred by staff grade

4 3 To date, I have drawn fees totalling £10,000 plus VAT on account of these time costs

4 4 Attached at Appendix C is additional information in relation to our policy on staffing, the use of subcontractors, disbursements, and details of our current charge-out rates by staff grade

4 5 Significant time costs were expended at the commencement of the Administration when dealing with the two-day shoot The purpose of the two-day shoot was so that the film could be completed to a stage whereby it could be shown to potential investors and distributors with a view to raising funding

4 6 I have also met with the directors together with Parkland to discuss the progress of the administration and in particular raising the required finance to complete the editing work

4 7 Statutory requirements including the submission of a directors' conduct report, the calling of a creditors' meeting and reports to creditors have been carried out

## **5. Outcome for Creditors**

5.1 As previously reported, it is impossible at this stage to estimate the likely proceeds from the sale of the film to distributors. However, it is possible to estimate the likely realisations in relation to the other assets.

5.2 Subject to the costs of the administration, it is still anticipated that 'creditors' will receive an initial dividend of around 36p in the £1. For the purposes of the interim dividend 'creditors' will not include the directors or Parkland, who have agreed to postpone their claims.

## **6. Ending the Administration**

6.1 The objective of the Administration remains to rescue the Company as a going concern with the exit route from Administration via a CVA.

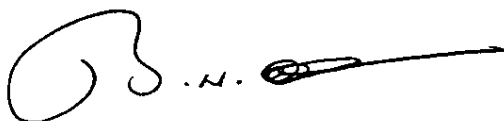
6.2 The Joint Administrators will be discharged from liability under Paragraph 98(3) of Schedule B1 of the Insolvency Act 1986 immediately upon their appointment as Administrators ceasing to have effect.

## **7. Next Report**

7.1 The Joint Administrators are required to provide a progress report within one month of the end of the next six months of the Administration or earlier if the Administration has been finalised.

For and on behalf of

**HEAVY PRODUCTIONS LIMITED**



**BRIAN JOHNSON**

**Joint Administrator**

(The Joint Administrators act as agents on behalf  
of the Company and without personal liability)



**Heavy Productions Limited  
(In Administration)**

**Income and Expenditure Account  
24 September 2007 to 23 March 2008**

<b>INCOME</b>	<b>Total (£)</b>
Cash at Bank	77,604 65
Bank Interest Gross	477 56
	<hr/>
	<b>78,082 21</b>
	<hr/>
<b>EXPENDITURE</b>	
Petitioners Costs	2,441 54
Insurance Bordereau	150 00
Pre appt fees - Application for Admin O	5,159 00
Joint Administrators Fees	10,000 00
Joint Administrators Expenses	20 00
Hunt Film Limited - Bookkeeping Services	4,615 00
Legal Fees - Application for Admin Orde	6,912 20
Completion of Film	32,937 76
Statutory Advertising	540 00
Insurance of Assets	1,312 50
Bank Charges	189 00
	<hr/>
	<b>64,277 00</b>
	<hr/>
<b>Balance</b>	<b>13,805 21</b>
	<hr/>
<b>MADE UP AS FOLLOWS</b>	
VAT Receivable	43 75
Bank 1 - Current	13,761 46
	<hr/>
	<b>13,805 21</b>
	<hr/>

Heavy Productions Limited - In Administration

Appendix B

Joint Administrators' time costs for the period 24 September 2007 to 23 March 2008

Service	Partner	Administrator	Support Staff	Total Hours	Total Cost
Acct/bookkeeping	0 10	1 80	11 92	13 82	1,334.15
Asset Realisation - Fixed Charge	0 30	-	-	0 30	106 50
Asset Realisation - Floating Charge	0 15	1 00	-	1 15	248 25
Asset realisation - non-charged assets	27 55	47 50	-	75 05	18,591 75
Case Admin	0 70	71 55	4 96	77 21	9,161 40
General Advice	0 50	15 15	-	15 65	2,949 50
Investigations	0 10	3 00	-	3 10	621 50
Landlord/Creditor Correspondence	1 75	9 00	-	10 75	2,177 25
Proof/claims - Unsecured	-	1 00	-	1 00	110 00
Reports & Meetings	7 40	28 25	1 50	37 15	7,253 50
Trading	5 45	-	-	5 45	2,002 25
Total Time	44 00	178 25	18 38	240 63	
Total Cost (£)	15,876 00	27,235 00	1,445.05	44,556 05	44,556 05
Average rate per hour (£)	360 82	152 79	78.62	185 16	

## Appendix C

### ADDITIONAL INFORMATION IN RELATION TO ADMINISTRATORS' FEES PURSUANT TO STATEMENT OF INSOLVENCY PRACTICE 9

#### 1 Policy

Detailed below is Fisher Partners' policy regarding

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

##### 1.1 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 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.

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, do we seek to charge and recover our time in this regard.

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

##### 1.2 Professional advisors

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.

<b>Name of Professional Advisor</b>	<b>Basis of Fee Arrangement</b>
Howard Kennedy	Time-cost basis
Locktons	Open-cover and ongoing cover
Richard Hyland	See below <sup>1</sup>
Lerman Jacobs David LLP	See below <sup>2</sup>

<sup>1</sup>An agreement dated 12 October 2007 stipulated the Mr Hyland provide services in relation to 1) assisting in the compilation of the statement of affairs, 2) assistance in the completion of the final pre-appointment VAT return and a P35, 3) assistance in the insurance claim and 4) preparing information to facilitate a tax credit claim if necessary. In return, the Company in administration agreed to pay Mr Hyland in relation to service 1) an initial £1,000 from his outstanding claim, followed by £1,500 of his outstanding claim in addition to a daily rate of £300. For service 2) he will receive his daily rate, for service 3) he will receive the balance of his claim in addition to the daily rate paid from the proceeds of the insurance claim, and for service 4) he will receive his daily rate from the proceeds of any successful reclaim.

<sup>2</sup>In an agreement dated 2 November 2007, the Company in administration agreed to pay Lerman Jacobs David LLP £2,000 plus VAT in addition to their outstanding claim of around £300-£400, and that that these sums be paid from the proceeds of the tax credit claim.

Our choice was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them.

### 1.3 Disbursements

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

## **2      Charge-out rates**

A schedule of Fisher Partners charge-out rates effective from 1 January 2008 is as follows

Partners	£365-£395
Senior Administrators	£195
Administrators	£145-£155
Junior Administrators	£120
Support Staff	£70-100