

The Insolvency Act 1986

2.24B**Administrator's progress report**

Name of Company
The Artful Group Limited

Company number
06092347

In the High Court of Justice
[full name of court]

Court case number
5179 of 2010

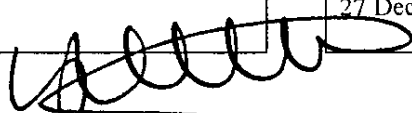
We
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One Snowhill
Snow Hill Queensway
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B4 6GH

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KPMG LLP
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Birmingham
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Administrators of the above company attach a progress report for the period

from	to
28 June 2010	27 December 2010

Signed


Joint Administrator

Dated

21 January 2011

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.

Margarita Larraga Bielsa

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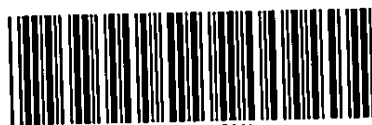
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Companies House, Crown Way, Cardiff CF14 3UZ

DX 33050 Cardiff



**The Artful Group Limited
(in administration)**

Report to Creditors pursuant to Rule 2.47 of
the Insolvency Rules 1986 (as amended)
21 January 2011

KPMG LLP Restructuring
MJO/TL/NJE/ML 1F Report to creditors



KPMG LLP

*The Artful Group Limited (in administration)
Joint administrators – William Wright and Mark Orton
21 January 2011*

Notice: About this report

This Report has been prepared by William Wright and Mark Orton the Joint Administrators of The Artful Group Limited, solely to comply with their statutory duty to report to creditors under the Insolvency Rules 1986 (as amended) on the progress of the administration, 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 form any investment decision in relation to the debt of or any financial interest in The Artful Group 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 (as amended) 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.

William Wright and Mark Jeremy Orton are authorised to act as insolvency practitioners by the Insolvency Practitioners Association.

The Joint Administrators act as agents for The Artful Group 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.



KPMG LLP

The Airtel Group Limited (in administration)
Joint administrators – William Wright and Mark Orton
21 January 2011

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KPMG LLP

The Artful Group Limited (in administration)
Joint administrators – William Wright and Mark Orton
21 January 2011

Executive Summary

- William Wright and Mark Orton of KPMG LLP were appointed as Joint Administrators of the Artful Group Limited by the Company's directors on 28 June 2010
- This progress report covers the 6 month period from appointment to 27 December 2010
- Based on the expected level of realisations and the amounts owed to the secured creditors, there is no prospect of funds being available for the preferential or the unsecured creditors
- The most likely exit route for the administration is to file for the Company's dissolution under Paragraph 84 of the Act
- Full details of the Joint Administrators' Progress Report are attached together with all the relevant statutory information in the Appendices. This document in its entirety constitutes the Joint Administrators' Progress Report

1 Glossary

‘The Act’	The Insolvency Act 1986 (as amended by The Enterprise Act 2002)
Administration Order	The Administration Order granted in the High Court of Justice, Chancery Division, Birmingham District Registry Court No 5179 of 2010
“Joint Administrators” / ‘Administrators’	William Wright and Mark Jeremy Orton, both of KPMG LLP, One Snowhill, Snowhill Queensway, Birmingham, B4 6GH
‘Praxis’	Praxis Nominees Limited
“The Secured Lenders”/ “The Secured Creditors”	Venture Finance Plc and Praxis Nominees Limited
“R Capital”	R Capital Limited
“Pyramid”/“the Purchaser”	SWCORP 4 Limited (trading as Pyramid International)
‘IT’	Information Technology
“ROT”	Retention of Title
USA”	United States of America

2 State ment of Proposals

The Administrators' Statement of Proposals was circulated on 18 August 2010

In accordance with Paragraph 52(1)b of Schedule B1 of the Act, the Administrators decided not to convene a meeting of creditors and one was not subsequently requisitioned to consider the proposals as it was considered unlikely that the Company had sufficient property to enable a distribution to unsecured creditors

The proposals are deemed to have been approved by creditors in accordance with Rule 2.33(5) of the Rules, with the exception of the proposals in relation to the Joint Administrators' remuneration and discharge of liability

Our proposals with regards the drawing of Administrators' remuneration and discharge of Administrators' liability will require approval by the secured creditors of the Company. We shall seek this approval in due course and confirm that no fees have been drawn to date

3 Progress of the Administration to Date

3.1 Purpose of the administration

In accordance with paragraph 3(1) Schedule B1 of the Insolvency Act 1986 the purposes of the administration were

- (a) rescuing the Company as a going concern, or,
- (b) 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,
- (c) realising property in order to make a distribution to one or more secured or preferential creditors

However, purpose (a) was not achievable due to the difficult financial position of the Company and due to the inability to continue trading the business in administration. The Joint Administrators therefore performed their functions with the paragraph 3(1)(b) objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up

This was achieved by successfully concluding a sale of a substantial amount of the assets of the Company, maximising asset realisations and achieving a better result for the Company's creditors than if the Company were wound up, due to the protection the administration afforded the Company's assets from creditor enforcement action

3.2 Strategy and Trading

3.2.1 Trading

As previously advised, trading the business in administration was not possible due to a number of reasons. The principal reasons were, the cessation of trade and dismissal of all the Company's employees prior to the Administrators' appointment, outstanding artists royalties in excess of £600,000, a large amount of raw material stock subject to ROT claims, forecast losses and a lack of available funding.

3.2.2 Sale of Business

As previously detailed, following the pre-appointment marketing process, a number of potentially interested parties were re-contacted but only six parties had any appetite to renew their interest in certain parts of the business and assets as a going concern.

Immediately following appointment, the business was further advertised, which resulted in approximately an additional 40 parties expressing interest in varying elements of the Company's business and assets.

Of these parties, five put forward offers to the Administrators. No single party put forward an offer for the Company's business and assets as a whole and on this basis, the Administrators proceeded with the offer that both maximised realisations and minimised costs due to a number of assets being realised in a single transaction.

A sale of the Company's stock, IT systems and intellectual property completed on 16 July 2010 to SWCORP4 Limited. The successful sale of these assets has resulted in total realisations, paid on completion of £350,000. The plant and machinery was excluded from this sale. The consideration was allocated as follows:

Asset	£
Venture stock	65 000
Business intellectual property	100 000
Contracts	1
Records	1
Stock	184 498
IT systems	500
Total	350 000
<i>Source: Administrators records</i>	

3 2 3 Assets

3 2 3 1 Leasehold Property

The Company operated from leasehold premises at Liliput Road Brackmills Industrial Estate, Northampton, where the main production and offices resided. It also held leasehold premises at Saffron Hill, London, where the design and licence work was carried out, and Massachusetts, USA from where the USA ‘Art on Demand’ operation was run.

The Company also holds a lease for premises in Basildon, Essex, although was not in occupation of these premises on appointment.

On appointment a two month rent free period was agreed with the landlord of the Northampton premises, to enable the Administrators to vacate the property as far as practicable. The surrender of this property is now being finalised.

The Joint Administrators paid £16,507 in connection to rent for the US lease to enable an attachment on the Company’s US bank account to be removed and the assets held at the US premises to be sold.

The lease on the London property was surrendered on 13 December 2010 with no additional costs to the Administration.

The Joint Administrators are finalising the surrender for the Basildon property which they anticipate it will be done within the next few weeks. No additional costs are expected to be incurred in relation to this lease.

3 2 3 2 Plant and Machinery

As previously reported, there was a substantial amount of plant and machinery, office equipment and fixtures and fittings on site, primarily located in Northampton, with larger pieces of equipment being subject to outstanding hire purchase agreements. Our agents advised that value for these assets would be maximised through an auction process.

An online auction was held in the weeks leading up to 10 August 2010. During the auction, 113 bidders from 14 different countries registered to bid which ultimately resulted in plant, machinery and equipment sales of £330,000, which was significantly above our agent’s valuation.

There was also a small amount of machinery located in the Company’s branch in the USA. An offer was received from SWCORP 4 Ltd in the sum of \$16,000 which was above our agents’ valuation once taking into account significant costs that would be incurred if the assets were to be sold through an auction process in the USA.

Finally, the Joint Administrators have also realised the sum of £2,750 in relation to the sale of racking to JWA and SWCORP 4 Ltd.

3 2 3 3 Motor Vehicles

On appointment approximately 30 vehicles were leased by the Company. The Administrators have sought to assist the leasing companies to locate and collect their vehicles in order to minimise unsecured creditor claims.

One vehicle was owned by the Company, and has now been sold for £300, which was in line with our agent's valuation.

3 2 3 4 Stock

As previously advised, total consideration for stock sold to SWCORP4 Limited as part of the above sale, amounted to £249,498. However, £65,000 of this stock was owned by Venture under the invoice discounting facility, for returns or goods invoiced and not yet shipped. The £65,000 has been remitted to Venture in full.

A small amount of greeting cards stock was also realised by the Joint Administrators prior to the sale to SWCORP4 Limited, totalling £16,000.

3 2 3 5 Intellectual property, IT Systems and Seller's records

A total consideration of £100,001 was realised for the business intellectual property, name, websites and contracts of the Company. This would not have been achievable if the assets were sold in isolation.

In addition to the above a further £501 has been realised for IT systems and the records of the Company.

3 2 3 6 Pre Appointment Book debts

At the date of our appointment the gross book debtor ledger stood at approximately £2.5 million. However these debts are owned by and will be collected by Venture directly under their invoice discounting facility.

It is not anticipated that there will be any surplus debtor collections for the Administrators to deal with following Venture's indebtedness and debtors' counter claims in relation to discontinuation of supply. To date, Venture has collected approximately £1.15 million against their initial indebtedness of £1.92 million.

3 2 3 7 Third Party Funds

Funds relating to the former Company's bank account held in Barclays Bank Plc have been received in the sum of £59,612. The Joint Administrators are in the process of establishing how much of this cash relates to pre appointment debtors that will be payable to Venture under their ID agreement.

Therefore, whilst this amount is currently shown as third party funds, no distribution has yet been made from these monies.

3 2 3 8 Recharged asset removal costs

A number of costs totalling £14,624 paid by the Joint Administrators in relation to the removal of the assets have been recharged to third parties

3 2 3 9 Miscellaneous receipts

The Joint Administrators have realised £540 in relation to licensing royalties received and foreign currency petty cash converted into pounds sterling

3 2.4 Liabilities

3 2 4 1 Secured Creditors

Both Venture and Praxis hold debentures, dated 21 August 2008 and 19 June 2009 respectively, containing fixed and floating charges over all the assets of the Company. The validity of these debentures has been confirmed by the Administrators' solicitors, Messrs Hammonds LLP.

In addition, Venture owns the book debts pursuant to the invoice discounting facility provided to the Company. At the date of appointment the value of book debts held by Venture under this facility totalled approximately £2.5 million.

At appointment Venture's total indebtedness stood at approximately £1.92 million in relation to the invoice discounting facility provided to the Company. It is not anticipated that Venture will be re-paid in full. To date, Venture has realised approximately £1.34 million against its initial indebtedness, £1.15 million from direct debtor collections and a further £191,000 distribution in relation to returned stock and stock invoiced but not delivered to customers, book debt collections paid into the pre appointment bank account and the sale of the company business intellectual property.

Praxis' indebtedness at appointment totalled approximately £3.12 million. No funds are expected to be available for this secured creditor.

There were also various assets held on hire purchase agreements with a variety of finance providers. These assets have been returned to the finance providers due to our agent advising of a lack of equity in the hire purchase agreements.

3 2 4 2 Preferential Creditors

Preferential claims are made up of holiday pay, accrued wages and subrogated claims. On appointment, employees were due to be paid wages and salaries for June.

As previously highlighted, all 259 employees were either made redundant shortly prior to or following the Administrators' appointment.

Based on the current level of cost of realisations outstanding it is not anticipated that a dividend will be payable to the Company's preferential creditors.

3.2.4.3 Unsecured Creditors

At the date of the Administrators' appointment, total unsecured trade creditors stood at approximately £2.7 million, according to the Company's books and records. However, we are aware that this is based on the purchase ledger as at the date of appointment and this had not been kept fully up to date.

In accordance with paragraph 176 of the Insolvency Act 1986, the Joint Administrators would be required to set aside a prescribed part of the Company's net property for the benefit of unsecured creditors that would otherwise be available to the secured floating charge holder.

The prescribed part is a computation based on the Company's net property and is calculated by taking 50% of the first £10,000 in value, and 20% of the remaining value, not exceeding £600,000. The prescribed part does not apply where the Company's net property does not exceed £10,000.

Due to the estimated level of preferential claims and level of floating charge asset realisations, we do not anticipate a distribution to unsecured creditors either through a surplus or by virtue of the prescribed part.

4 Expenses for the Period

Our receipts and payments for the period are set out in the attached Receipts and Payments Account (see Appendix 2).

The office holders' time costs for the period of this report are also attached (see Appendix 3). In the six month period to 27 December 2010, we have incurred time costs of £574,067 representing 2,276.22 hours at an average hourly rate of £252.20. This includes work undertaken in respect of tax, VAT, employee, pensions and health and safety advice from KPMG LLP in-house specialists.

Key areas where costs have been incurred are as follows:

- Marketing the business and negotiating with interested parties in respect of the sale of business and assets,
- Taking control of the Company and assets during the administration and winding the business down in an orderly manner,
- Monitoring the collection of the Company's plant and machinery as well as stock, subject to retention of title,
- Dealing with artists' queries and claims,
- Dealing with the redundancy of approximately 259 employees and their claims,
- Dealing with all the property leases and the vacation of the premises,
- Dealing with creditor queries, and
- Attending to all statutory duties that are associated with this type of insolvency.

As reported, the Joint Administrators have not drawn any fees to date and will be seeking approval from the secured creditors that their fees be approved on a time cost basis in accordance with Rule 2 106 (5A) (b) of the Insolvency Amendment Rules 1986

Administrators' Expenses for this period total £7,687 47 which are yet to be paid (see Appendix 4 for details)

Additional information about the expenses charged for the period is available from the office holder upon request by any secured creditor, and any other creditor or creditors owed 5% or more in value of the unsecured liabilities listed. Full details of the process to obtain more information under Rule 2 48A IR86 and to challenge the administrator's remuneration and expenses under Rule 2 109 IR8 are included in Appendix 4 should creditors wish to do so.

A creditors' guide to fees can be found at [http://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007\(1\).pdf](http://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007(1).pdf), however, if you are unable to access this guide and would like a copy please contact Emma Ruston of my staff, on 0121 609 5892

5 Comments on the Appendices

5.1 Appendix 1: Statutory information

This appendix contains certain information necessary to be provided to creditors in accordance with Rule 2 33 of the Insolvency Rules 1986 (as Amended)

5.2 Appendix 2: Receipts & payments account for the period

The Administrators' receipts and payments account for the period from 28 June 2010 to 27 December 2010 is attached. The figures on the account are shown net of VAT.

5.3 Appendix 3: Analysis of office holders' time costs

This analysis is based on the period from appointment, 28 June 2010 to 27 December 2010.

5.4 Appendix 4: Expenses for the period

Expenses for the period are summarised in Appendix 4 which exclude the time costs that are analysed in Appendix 3.

This concludes the Joint Administrator's progress report to creditors. In accordance with Rule 2 47 of the Insolvency Rules 1986 (as Amended), the next progress report is due at the anniversary of the administration or at its conclusion, whichever is sooner. Should you require any further information please contact Margarita Larraga of my staff, on 0121 335 2515.



KPMG LLP

The Artful Group Limited (in administration)
Joint administrators – William Wright and Mark Orton
21 January 2011

Yours faithfully
For and on behalf of The Artful Group Limited

William Wright
Joint Administrator

The affairs, business and property of the Company are being managed by the joint administrators
The joint administrators act as agents of the Company and contract without personal liability
William Wright and Mark Orton are both authorised to act as an insolvency practitioner by the Insolvency Practitioners Association

Appendix 1

Statutory information

Company name	The Artful Group Limited	
Administration Order	The Administration Order was granted in the Companies Court, Chancery Division, High Court of Justice Ref No 5179 of 2010	
Date of appointment	28 June 2010	
Administrators details	<p>William James Wright is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales</p> <p>Mark Jeremy Orton is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association</p>	
Functions	The functions of the Administrators are being exercised by any or one of them in accordance with Paragraph 100(2) of Schedule B1 of the Act	
Application of EC regulations	EC regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC regulations	
Company Directors (Source Annual Returns)	Three V Directors LLP	From 4 April 2008
Company Secretary (Source Annual Returns)	LPE Services Limited RJP Secretaries Limited	13 August 2008 9 February 2007
Date of incorporation	9 February 2007	
Company registration number	6092347	
Present registered office	c/o KPMG LLP One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH	
Previous registered office	15 Whitcomb Street London WC2H 7HA	
Main trading Address	33-34 Lilliput Road Brackmills Northampton NN4 7DT	
Employees	259	



KPMG LLP

The Artful Group Limited (in administration)
Joint administrators – William Wright and Mark Orton
21 January 2011

Details of the Company's trading results are shown below

<i>10 month P/E 31/12/2008 (audited)</i>	
	£
Turnover	12,570,190
Gross profit	4,333,850
Profit / (loss) before tax	668,513

Details of the Company's share capital and holdings

Authorised share capital	£2,000 (160 x ordinary A £0.01 shares and 40,000 ordinary B £0.01 shares)	
Issued share capital	£1.50 (150 x ordinary A £0.01 shares)	
(Source: Annual Returns)		
Shareholders	Praxis Nominees Limited	£0.45
	RCapital Limited	£1.05
(Source: Annual Returns)		



KPMG LLP

The Artful Group Limited (in administration)
Joint administrators – William Wright and Mark Oton
21 January 2011

Appendix 2

Receipts and payments from 28 June 2010 to 27 December 2010

The Artful Group Limited
(In Administration)
Administrators' Abstract of Receipts & Payments

Statement of Affairs		From 28/06/2010 To 27/12/2010	From 28/06/2010 To 27/12/2010
	FIXED CHARGE ASSETS		
	Third Party Funds	59,612 32	59,612 32
1,465,000 00	Book debts	NIL	NIL
	Venture Stock	65,000 00	65,000 00
100,000 00	Business Intellectual property	100,000 00	100,000 00
	Contracts	1 00	1 00
	Records	1 00	1 00
	Other Interest	587 50	587 50
	Bank interest, gross	46 97	46 97
		<u>225,248 79</u>	<u>225,248 79</u>
	FIXED CHARGE COSTS		
	Legal fees	5,000 00	5,000 00
	Bank charges	48 00	48 00
		<u>(5,048 00)</u>	<u>(5,048 00)</u>
	FIXED CHARGE CREDITORS		
(1,822,000 00)	Venture Finance	150,000 00	150,000 00
(3,122,000 00)	Praxis Nominees	NIL	NIL
		<u>(150,000 00)</u>	<u>(150,000 00)</u>
	ASSET REALISATIONS		
332,000 00	Plant & machinery	342,810 53	342,810 53
	Motor vehicles	300 00	300 00
200,000 00	Stock	200,498 00	200,498 00
	IT Systems	500 00	500 00
	Book debts	3 30	3 30
	Rent	(16,507 10)	(16,507 10)
	Recharged Asset Removal Costs	14,624 05	14,624 05
	Miscellaneous Receipts	540 69	540 69
		<u>542,769 47</u>	<u>542,769 47</u>
	OTHER REALISATIONS		
	Bank interest, gross	402 16	402 16
10,000 00	Sundry refunds	11,396 25	11,396 25
	Electricity Refund	23,876 01	23,876 01
	Third Party Funds	37,952 93	37,952 93
		<u>73,627 35</u>	<u>73,627 35</u>
	COST OF REALISATIONS		
	Royalty Payments	1,055 57	1,055 57
	Porter services	5,968 60	5,968 60
	Agents'/Valuers' fees	11,085 42	11,085 42
	Agents'/Valuers' expenses	916 92	916 92
	Legal fees	29,711 83	29,711 83
	Legal Disbursements	334 19	334 19
	Asset Removal Costs	1,722 70	1,722 70
	Auction costs & expenses	27,478 50	27,478 50
	Telephone/Telex/Fax	5,293 19	5,293 19
	Heat & light	10,224 05	10,224 05
	Storage costs	366 19	366 19
	Re-direction of mail	155 98	155 98
	Statutory advertising	75 60	75 60

The Artful Group Limited
(In Administration)
Administrators' Abstract of Receipts & Payments

Statement of Affairs	From 28/06/2010 To 27/12/2010	From 28/06/2010 To 27/12/2010
Other property expenses	11,346 80	11,346 80
Insurance of assets	2,703 75	2,703 75
Wages & salaries	15,297 18	15,297 18
PAYE & NIC	6,678 64	6,678 64
Bank charges	998 40	998 40
Retention of Title Claim Settlement	2,200 00	2,200 00
	<u>(133,613 51)</u>	<u>(133,613 51)</u>
PREFERENTIAL CREDITORS		
(324,000 00) Employees' wage arrears and holiday pay	<u>NIL</u>	<u>NIL</u>
	NIL	NIL
UNSECURED CREDITORS		
(2,716,421 00) Trade & expense	<u>NIL</u>	<u>NIL</u>
	NIL	NIL
<u>(5,877,421.00)</u>	<u>552,984 10</u>	<u>552,984 10</u>
REPRESENTED BY		
Floating ch VAT rec'able		18,262 17
Fixed charge current		5,751 08
Floating charge current		541,965 64
Fixed charge VAT rec'able		875 00
Fixed charge VAT payable		(28,875 35)
Floating ch VAT payable		(91,439 25)
Floating ch VAT control		78,294 46
Fixed charge VAT control		28,000 35
Petty Cash		150 00
		<u>552,984 10</u>



KPMG LLP

The Artful Group Limited (in administration)
Joint administrators – William Wright and Mark Orton
21 January 2011

Appendix 3

Analysis of Office Holders' Time Costs

For Period 28 June 2010 to 27 December 2010

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Administration & planning							
Cashiering							
General (Cashiering)	2 10		46 07	38 30	86 47	£14,831 25	£171 5
Reconciliations (& IPS accounting reviews)			11 30	0 30	11 60	£2,628 50	£226 5
General							
Books and records			6 00		6 00	£1,350 00	£225 0
Fees and WIP		0 10			0 10	£42 50	£425 0
Statutory and compliance							
Appointment and related formalities	4 00	11 00	39 40	9 40	63 80	£14 580 50	£228 5
Bonding and bordercau		0 50	1 30		1 80	£501 00	£278 3
Checklist & reviews		5 00	14 20		19 20	£5 445 00	£283 5
Closure and related formalities		8 00			8 00	£2 560 00	£320 0
Pre appointment checks	0 20	1 00			1 20	£508 00	£423 3
Reports to debenture holders	27 00	24 00			51 00	£21,925 00	£429 9
Strategy documents	14 10	21 00	3 00		38 10	£15 541 50	£407 9
Tax							
Initial reviews - C1 and VAT		18 00	7 55		26 55	£7,785 75	£293 2
Post appointment corporation tax		7 90	13 15		21 05	£5,431 75	£258 0
Post appointment PAYE		1 20	9 10	0 70	11 00	£2 000 00	£181 8
Post appointment VAT		7 80	4 50		12 30	£3,866 50	£314 3
Creditors							
Creditors and claims							
Agreement of preferential claims	17 00		5 00		22 00	£8,355 00	£379 7
Agreement of unsecured claims			17 50		17 50	£3 055 00	£174 5
General correspondence	7 50	28 80	377 40	88 80	502 50	£94 636 00	£188 3
Notification of appointment			3 40		3 40	£734 00	£215 8
Payment of dividends		1 50			1 50	£637 50	£425 0
Pre-appointment VAT / PAYE / CT		0 20	0 80	15 50	16 50	£1 978 00	£119 8
ROT Claims		1 50	115 25		116 75	£22 256 25	£190 6
Secured creditors		3 00	10 00		13 00	£3 515 00	£270 3
Statutory reports	0 20	7 00	25 05	63 55	95 80	£14 088 25	£147 0
Employees							
Agreeing employee claims		0 20			0 20	£64 00	£320 0
Correspondence		66 80	143 75	18 10	228 65	£49,416 75	£216 1
DTI redundancy payments service		20 60		24 20	44 80	£9,138 00	£203 9
Pensions reviews		0 60	4 20		4 80	£1 157 00	£241 0
Investigation							
Directors							
Correspondence with directors			0 50		0 50	£120 00	£240 0
D form drafting and submission		3 70	18 50		22 20	£5 699 00	£256 7
Directors' questionnaire / checklist	0 10		37 45		37 55	£9 023 25	£240 3
Statement of affairs		1 00	3 20		4 20	£1 115 00	£265 4
Investigations							
Correspondence re investigations			2 70		2 70	£475 50	£176 1
Mail redirection		0 40	0 60		1 00	£227 00	£227 0
Review of pre appt transactions			10 40		10 40	£2 496 00	£240 0
Realisation of assets							
Asset Realisation							
Cash and investments		1 50	12 40		13 90	£3,508 50	£252 4
Debtors		60 85	0 50		61 35	£19 889 50	£324 2
Freehold property	0 20	0 10	3 10		3 40	£827 50	£243 3
Health & safety		3 70	4 50		8 20	£2 209 00	£269 3
Leasehold property		37 00	58 40	0 20	95 60	£27 939 50	£292 2
Office equipment fixtures & fittings			26 70		26 70	£5 575 50	£208 8
Open cover insurance		1 00	6 00		7 00	£1 695 00	£242 1

MJO/TL/NJE/ML IT Report to creditors

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KPMG LLP

The Artful Group Limited (in administration)
Joint administrators – William Wright and Mark Orton
21 January 2011

Other assets	1 00	10 00	35 50		46 50	£12 552 50	£269 9
Plant and machinery		39 00	66 60		105 60	£30,355 00	£287 4
Sale of business	19 50	238 50	25 55	0 90	284 45	£107,420 25	£377 6
Stock and WIP		51 50	27 00		78 50	£25 672 50	£327 0
Vehicles			2 50		2 50	£562 50	£225 0
Trading code used when engagement didn't trade							
Trading							
Cash & profit projections & strategy		2 50			2 50	£1 012 50	£405 0
Purchases and trading costs			21 90		21 90	£4 513 50	£206 1
Sales			14 00		14 00	£3 150 00	£225 0
Total in period					2 276 22	£574 067 00	£252 2

All staff who have worked on this assignment, including cashiers and secretarial staff have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.

Scale rates

The table below details the relevant rates and increase per grade since the date of administration.

Grade	2009/2010 £	2010/2011 £
<i>KPMG Restructuring Partners and Staff</i>		
Partner	515	535
Director	440	460
Senior Manager	405	425
Manager	320	345
Senior Administrator	225	240
Assistant Administrator	165	175
Support	105	110

Appendix 4

Schedule of expenses for the period

28 June 2010 to 27 December 2010

	Paid	Accrued	Total for period
	£	£	£
Lunch allowance	-	430 06	430 06
Mileage allowance	-	5439 00	5439 00
Other transport	-	646 50	646 50
Stationary	-	193 03	193 03
Telecommunications	-	427 40	427 40
Advertising	-	105 69	105 69
Sundry	-	445 95	445 95
Total	-	7,687.63	7,687.63

Creditors are reminded that the basis on which fees have been reported has been agreed, however to determine if the quantum of the fees to be taken is reasonable the analysis included at Appendix 3 should be reviewed and any additional information can be requested by any secured creditor or any unsecured creditor(s) with at least 5% in value of the unsecured debt in accordance with rule 2.48A IR86. This request must be made within 21 days receipt of the report. The full text of that rule can be provided on request. In addition creditors are reminded that the quantum can be challenged by unsecured creditor(s) with at least 10% in value excluding that creditors claim by making an application to court in accordance with rule 2.109 IR86. The full text of this rule can also be provided on request.

Note: in addition to the above disbursements, other cost in the sum of approximately £18,000 have been accrued for in the Administration but not yet discharged. These include insurance, utilities, legal costs, statutory advertising and storage.

Insolvency Rules 1986

2 48A Creditors' request for further information

- (1) If- (a) **within 21 days of receipt of a progress report** under Rule 2 47-
- (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of **at least 5% in value** of the unsecured creditors (including the creditor in question), or
- (b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor, the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2 47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2)
- (2) The administrator complies with this paragraph by either—
- (a) providing all of the information asked for, or
 - (b) so far as the administrator considers that—
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
 - (iii) the administrator is subject to an obligation of confidentiality in respect of the information,giving reasons for not providing all of the information
- (3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of—
- (a) the giving by the administrator of reasons for not providing all of the information asked for, or
 - (b) the expiry of the 14 days provided for in paragraph (1),
- and the court may make such order as it thinks just
- (4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2 109(1B) by such further period as the court thinks just

2.109 Creditors' claim that remuneration is or other expenses are excessive

- (1) Any secured creditor, or any unsecured creditor with either the concurrence of **at least 10% in value of the unsecured creditors** (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)
- (1A) An application may be made on the grounds that—
- (a) the remuneration charged by the administrator,
 - (b) the basis fixed for the administrator's remuneration under Rule 2 106,
 - (c) expenses incurred by the administrator,
- is or are in all the circumstances, excessive, or in the case of an application under sub-paragraph (b), inappropriate
- (1B) The application must, subject to any order of the court under Rule 2 48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")
- (2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business

days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing. If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly.

(3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it.

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

(a) an order reducing the amount of remuneration which the administrator was entitled to charge,

(b) an order fixing the basis of remuneration at a reduced rate or amount,

(c) an order changing the basis of remuneration,

(d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration,

(e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify,

and may make any other order that it thinks just, but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report.

(5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration.