

The Insolvency Act 1986

**Administrator's progress report**

Name of Company <b>Sabotage Limited</b>	Company number <b>06786855</b>
In the <b>High Court of Justice, Chancery Division, Birmingham District Registry</b> [full name of court]	Court case number <b>8047 of 2012</b>

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

I/We (a) Christopher Kim Rayment and Joanne Marie Wright of BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

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

(b) Insert date

From (b) 2 February 2012	to (b) 1 August 2012
--------------------------------	----------------------------

Signed

Joint/administrator(s)

Dated

29/8/12**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.

BDO LLP, 125 Colmore Row, Birmingham,	
B3 3SD	
Our Ref 012576/MCG/ADM944 - Form 2/A6	Tel 0121 352 6200
DX Number	DX Exchange

If 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

FRIDAY



\*A1FZZK2W\*

A18

24/08/2012

#366

COMPANIES HOUSE



Tel +44 (0)121 352 6200  
Fax +44 (0)121 352 6444  
www.bdo.co.uk

125 Colmore Row  
Birmingham B3 3SD

24 August 2012

Our Ref 012576/MCG/ADM932/A6

Please ask for Matt Goodliffe  
Direct Line 0121 352 6402

## TO ALL CREDITORS

Dear Sirs

### **Sabotage Limited - In Administration ("the Company")**

It is now six months since my appointment in respect of the Company. In accordance with Rule 2.47 of the Insolvency Rules 1986 I am now reporting the progress made in implementing the approved proposals and achieving the statutory purpose of the Administration.

#### **1 Statutory Information.**

The Joint Administrators are Christopher Kim Rayment and Joanne Marie Wright of BDO LLP, 125 Colmore Row, Birmingham, B3 3SD and they were appointed in respect of the Company on 2 February 2012. Under the provisions of Paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 the Administrators carry out their functions jointly and severally and neither Administrator has exclusive power to exercise any function.

The Administrators were appointed by Mr William Robert Rigg being a Director of the Company, pursuant to Paragraph 22 of Schedule B1 of the Insolvency Act 1986. The Administration proceedings are dealt with in the Birmingham District Registry and the Court case number is 8047 of 2012.

The Company's registered office is situated c/o BDO LLP, 125 Colmore Row, Birmingham, B3 3SD and the registered number is 06786855.

Please note that the Company was incorporated to facilitate the purchase of the entire shareholding of Fly Receivables Limited (formerly Fly53 Limited) ("Fly"). Fly also entered Administration on 2 February 2012.

I enclose, for your information, a summary of my receipts and payments for the six month period from my appointment to 1 August 2012, showing a balance in hand of £1,219.33, and report as follows.



## **2 Progress of the Administration**

### **Sale of Business and Certain Assets of Fly**

As previously reported, immediately following appointment on 2 February 2012, a sale of the business and certain assets of Fly to JD Sports Fashion plc ("JD") was completed, for total consideration of £357.5k plus the sum of £109k in respect of stock. The initial sum of £350k for the goodwill and £7.5k for fixtures and fittings was received in full upon completion. £109k in respect of the stock was paid shortly afterwards following final verification of the stock figures at completion. Full details of the sale were provided to creditors on 3 February 2012 and in my proposals dated 19 March 2012.

The Company was also a party to the transaction as it may have owned residual assets which were required to be included in the sale. In addition, as part of the sale, the Company granted JD a licence to occupy the premises formerly occupied by Fly, but leased through the Company, in Manchester. Following the completion of the sale JD entered into a new agreement with the landlord of the Manchester premises

### **Rent Deposit**

A rent deposit of c£1k has been received from the landlord of the Company premises in Manchester, following the deduction of the arrears due in respect of 1 February 2012.

### **Trading**

The Company was incorporated on 9 January 2009 as Cobco 898 Limited. The Company had no employees and did not trade, being incorporated to facilitate the purchase of the entire shareholding of Fly by the incumbent management team. The Company was therefore an intermediate investment holding company only. Its ultimate parent company is Key Capital Partners (Nominees) Limited.

With the Company not being a trading business, no Administration trading took place.

### **Debtors**

The Company is owed the sum of £4.226 million from Fly, by way of an intercompany loan, which funded the growth, expansion and trading of that company.

The Company will prove in the Administration of Fly for the sum due and, accordingly, it is anticipated that as a result of the sale of Fly's business and assets, it will receive a dividend from the Prescribed Part in Fly's Administration. As detailed above, on current information this may be up to £52k on a high basis, although this remains an estimate and will be dependent upon the finalisation of matters in that Administration.

### **Other Matters**

The Company incurred losses prior to the Administration and its tax affairs have been finalised. No liability was due and despite the losses it was not possible to submit a claim for terminal loss relief as the Company did not trade.

Fly operated a retail unit in Livingston, which was not included in the sale to JD and was closed on appointment. The unit was leased through the Company, and a surrender of the lease has been finalised with the landlord.

### **3 Costs in the Administration**

The costs paid in this Administration to 1 August 2012 are detailed on the attached Receipts and Payments account.

Other than the Joint Administrators' remuneration and disbursements (detailed in Section 8) the only other professional fees or costs that I am aware have accrued to 1 August 2012, and have not yet been paid, are c£3k in respect of solicitors' fees. Cobbetts LLP have provided legal assistance throughout the Administration and their work has included reviewing the validity of the appointment and the charges held by the various secured creditors

Creditors should note that additional costs may be incurred should any further issues arise which require legal or other professional assistance

### **4 Pre Appointment Costs**

Whilst costs were incurred in preparing for the Administration, no proposal was made to draw these as an expense of the Administration.

### **5 Future of the Administration**

As previously detailed the only assets of the Company were therefore its investment in Fly, the intercompany loan due, and also a lease in respect of premises occupied by Fly in Manchester. The sole asset remaining in this Administration for which a realisation is anticipated is from the intercompany loan due.

Once the costs of the Administration have been finalised I anticipate that the Company will exit the Administration by way of a Creditors' Voluntary Liquidation as already agreed by creditors. J M Wright and I will be Joint Liquidators.

### **6 Achieving the purpose of the Administration**

The statutory purpose of an Administration consists of three objectives. The second objective is 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 Liquidation), and this is the option that has been pursued

As stated in my proposals this objective will be achieved as a result of the successful sale of the business and certain assets of Fly. The sale will ultimately result in a Prescribed Part in that Administration and therefore a realisation in the Company's Administration as the intercompany loan will rank as an unsecured claim against Fly. This will result in a Prescribed Part and therefore a distribution to the unsecured creditors. This would not have happened in a Liquidation

## 7 Prospects for Creditors

### Secured Creditors

The Company granted two debentures to KCP, on 12 March 2009 and 20 January 2011. KCP were due the sum of approximately £3.8 million on appointment (excluding interest and charges).

A debenture was granted to M Jacobson, H Jacobson, D Jacobson, E Jacobson and J Jacobson on 12 March 2009, who were owed the sum of approximately £956k on appointment. These debentures secured funds raised from a series of loan notes issued by the Company and transferred to Fly to fund activities in that company. In addition, a debenture was granted to S Smith and W Rigg on 12 March 2009, who were owed the sums of £8k and £71k respectively.

In accordance with a priority agreement between the secured creditors, KCP and M Jacobson may both receive a total distribution of up to £19k, depending on final realisations and the costs of the Administration. They will not, however, be repaid in full. There will not be a return to any other secured creditor.

### Preferential Creditors

The Company did not employ any employees and, accordingly, there are no preferential claims in this Administration.

### Unsecured Creditors

Under the provisions of Section 176A of the Insolvency Act 1986 the Joint Administrators must state the amount of funds available to unsecured creditors in respect of the Prescribed Part. This provision only applies where a company has granted a floating charge to a creditor after 15 September 2003.

The Company granted a number of charges after that date and therefore there will be a Prescribed Part in this Administration. Based on present information the Joint Administrators estimate that, after allowing for costs, the value of the Company's net property may be approximately £52k on a high basis and this means that the Prescribed Part may be £13k. On a low basis, these figures may be £47k and £12k respectively.

The actual level of the Prescribed Part will be dependent upon the final realisations in respect of the intercompany debt due from Fly, which will depend upon the outcome of that Administration, together with the final costs of this Administration and the subsequent Liquidation.

The Company did not trade and there are no trade and expense creditors. The Company was, however, in a VAT group with Fly and therefore has joint and several liability for the arrears due to HM Revenue & Customs in this regard. A claim has been received for £156k.

It is anticipated that unsecured creditors will receive a dividend from the Prescribed Part in a subsequent Liquidation. The precise dividend will depend upon the dividend the Company receives from the Administration of Fly, the agreement of the claim received

from HM Revenue & Customs and any other claims received and the quantum of final costs.

## **8 Administrators' Remuneration**

The unsecured creditors have already approved the Administrators' remuneration on a time costs basis. In this case no meeting of creditors was convened because there is insufficient property to enable a distribution to be made to unsecured creditors other than by reason of Prescribed Part. As a result (Paragraph 52(1) of Schedule B1 of the Insolvency Act 1986) the Joint Administrator's remuneration will be subject to the approval of the secured and preferential creditors as set out in Rule 2.106(5A)(a)/(b) of the Insolvency Rules 1986.

Attached is a schedule which summarises the time costs incurred from 2 February 2012 to the most practicable date of 3 August 2012 and indicates the work undertaken in that respect.

A total of 60.30 hours at a total cost of £14,163.70 has been spent administering this Administration, at an average hourly rate of £234.89.

To date none of these time costs have been drawn.

I am currently seeking the approval of the secured creditors to my drawing Joint Administrators' remuneration on a time costs basis, in the sum of £10,000, as an expense of the Administration. I do not propose to draw the balance of my time costs.

I can also confirm that there is no work that is usually carried out by the Administrator which has been sub contracted outside my firm.

## **Disbursements**

Where disbursements are recovered in respect of precise sums expended to third parties there is no necessity for these costs to be authorised. These are known as category 1 disbursements. All payments made in respect of category 1 disbursements are detailed on the attached Receipts and Payments account. At 3 August 2012 £248.50 of category 1 disbursements, comprising of statutory advertising and statutory insurance, had accrued but not yet been drawn.

Some Administrators recharge expenses for example postage, stationery, photocopying charges, telephone and fax costs, which cannot economically be recorded in respect of each specific case. Such expenses, which are apportioned to cases, require the approval of the creditors, before they can be drawn, and these are known as category 2 disbursements. The policy of BDO LLP is not to charge any category 2 disbursements.

I provide at the end of this report an extract from the Insolvency Rules 1986 setting out the rights of creditors to request further information and/or challenge the remuneration or fees within the Administration.

Should you have any queries please contact my colleague Matt Goodliffe.

Yours faithfully  
for and on behalf of  
Sabotage Limited



C K Rayment  
Joint Administrator

*Christopher Kim Rayment is authorised by The Institute of Chartered Accountants in England & Wales to act as an Insolvency Practitioner. The affairs business and property of the Company are being managed by the Joint Administrators. The Joint Administrators act as agents only and without personal liability.*

Enc

**Statement from the Insolvency Rules 1986 (as amended) regarding the rights of creditors in respect of the Joint Administrators' fees and expenses:-**

**Rule 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, makes a request in writing to 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

**Rule 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) 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, or
- (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



**Statement from the Insolvency Rules 1986 (as amended) regarding the rights of creditors in respect of the Joint Administrators' fees and expenses (continued):-**

**Rule 2.109 (continued)**

(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

**Sabotage Limited - In Administration**  
**Summary of Joint Administrators' Receipts & Payments Account for the period**  
**2 February 2012 (date of appointment) to 1 August 2012**

	Notes	Estimated to Realise £	Receipts & Payments £	£
<b>Floating Charge Realisations</b>				
Rent Deposit	1	-	1,030 18	
Interest Gross		-	0 36	
				1,030.54
<b>Cost of Realisations</b>				
Stationery & Postage			13 65	(13 65)
Balance in Hand				1,016 89
<b>Made Up As Follows</b>				
Floating Current Account	3			1,219 33
VAT Control Account				(202.44)
				1,016.89

**Notes**

- 1 A rent deposit has been received from the landlord of the Company premises in Manchester, following the deduction of the arrears due in respect of 1 February 2012.
- 2 The Company is registered for VAT and the above receipts and payments are shown net of VAT
- 3 All funds are held on interest bearing accounts

**BDO LLP**  
**125 Colmore Row**  
**Birmingham**  
**B3 3SD**

**C K Rayment**  
**Joint Administrator**

Sabotage Limited In Administration

Summary of time charged and rates applicable for the period from 2 February 2012 to 3 August 2012

	PARTNER		MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		GRAND TOTAL		AVERAGE RATE
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Total £/hr
Steps on Appointment	3 50	1,298 50	1 60	416 20	0 65	110 50	6 35	734 65	12 10	2,559 85	211 56
Planning and Strategy	-	-	-	-	-	-	-	-	-	-	-
General Administration	1 50	556 50	5 25	1,060 50	0 45	62 55	3 50	399 10	10 70	2,078 65	194 27
Assets Realisation/Dealing	-	-	11 55	3,809 10	3 00	591 00	-	-	14 55	4,400 10	302 41
Trading Matters	-	-	-	-	-	-	-	-	-	-	-
Employee Matters	-	-	-	-	-	-	0 25	39 00	0 25	39 00	156 00
Creditor Claims	-	-	-	-	-	-	0 30	41 10	0 30	41 10	137 00
Reporting	5 75	2,133 25	10 45	2,203 90	-	-	6 20	707 85	22 40	5,045 00	225 22
Distribution and Closure	-	-	-	-	-	-	-	-	-	-	-
Totals	10 75	3,988 25	28 85	7,489 70	4 10	764 05	16 60	1,921 70	60 30	14,163 70	234 89

Net Total 60 30 14,163 70

Applicable Charge out Rates

GRADE	28 April 2012 - Current
Partner	371
Manager	202 - 318
Assistant Manager	185
Senior Administrator	170 - 197
Administrator	90 - 156

Disbursements 248 50  
Billed -  
Grand Total 14,412 20

The key areas in respect of time costs are detailed as follows

	Hours	Cost (£)	Comments
<b>Reporting</b>			
Reporting to Creditors	15 05	3,459 55	Preparation of proposals & associated enclosures Review & submission of SIP16 report to creditors Completion of backing SIP16 documents, including SIP9 & R&P detail Compilation & submission of deemed approved documentation for Companies House records
<b>Assets Realisation/Dealing</b>			
- Book Debt Collection	12 00	3,885 00	Review of debt collection matters, & preparation of debtors' file Progress updates by debt collection stakeholders Communications with debtors & reconciliation of outstanding debtor list

The Insolvency Act 1986

**Administrator's progress report**

Name of Company

**Sabotage Limited**

Company number

**06786855**

In the

**High Court of Justice, Chancery Division,  
Birmingham District Registry**

[full name of court]

Court case number

**8047 of 2012**(a) Insert full name(s) and  
address(es) of administrator(s)I/We (a) Christopher Kim Rayment and Joanne Marie Wright of BDO LLP, 125 Colmore  
Row, Birmingham, B3 3SD

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

(b) Insert date

from

(b)

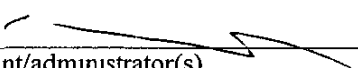
2 February 2012

to

(b)

1 August 2012

Signed

  
Joint/administrator(s)

Dated

24/8/12