

The Insolvency Act 1986

Administrator's progress report**R2.38**

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company

A & K Guest House Limited

Company number

SC261082

(a) Insert full
name(s) and
address(es) of
administrator(s)I/We (a)
John Charles Reid
Deloitte LLP
Lomond House
9 George Square
Glasgow
G2 1QQBrian William Milne
Deloitte LLP
Lomond House
9 George Square
Glasgow
G2 1QQ

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

from

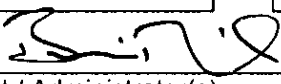
to

(b) Insert date(s)

(b) 23 October 2009

(b) 22 April 2010

Signed


Joint / Administrator(s)

Dated

20 May 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.

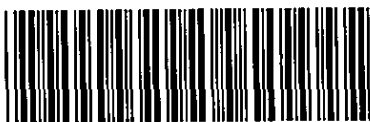
The contact information that you give will be visible to searchers of the public record

Simon Smith
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Glasgow
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DX Exchange

MONDAY

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When you have completed and signed this form, please send it to the Registrar of Companies at:-
Companies House, 4th Floor
Edinburgh Quay 2
139 Fountainbridge
Edinburgh
EH3 9FF

**A & K GUEST HOUSE LIMITED
(IN ADMINISTRATION) ("THE COMPANY")**

COURT OF SESSION – REFERENCE NUMBER P515/09

**SIX MONTHLY PROGRESS REPORT TO CREDITORS
PURSUANT TO RULE 2.38 OF THE INSOLVENCY (SCOTLAND) RULES 1986 (AS
AMENDED)**

21 May 2010

**John C Reid and Brian W Milne
Deloitte LLP
Lomond House
9 George Square
Glasgow
G2 1QQ**

This report has been prepared for the sole purpose of advising the Creditors. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by Creditors for any purpose other than advising them, or by any other person for any purpose whatsoever.

John C Reid and Brian W Milne were appointed Joint Administrators of A & K Guest House Limited on 23 April 2009. The affairs, business and property of the Company are managed by the Joint Administrators. The Joint Administrators act as agents of the Company and without personal liability.

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ABBREVIATIONS

For the purpose of this report the following abbreviations shall be used:

"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency (Scotland) Rules 1986 (as amended)
"the Administrators"	John Charles Reid and Brian William Milne of Deloitte LLP
"Deloitte"	Deloitte LLP
"the Company"	A & K Guest House Limited (in Administration)
"the Director"	Ameet Singh
"the Bank" / "the Secured Creditor"	The Clydesdale Bank Plc
"pp"	The Prescribed Part of the Companies' net property subject to s176A of the Insolvency Act 1986 (as amended)
"QFCH"	Qualifying Floating Charge Holder
"The Agents"	DM Hall Chartered Surveyors
"EOS"	Estimated Outcome Statement

1. INTRODUCTION

1.1 Introduction

This report has been prepared in accordance with Rule 2.38 of the Rules to provide creditors with an update on the progress of the Administration of the Company, for the six month period 23 October 2009 to 22 April 2010, and since our first report to creditors dated 16 June 2009 and the six month progress report to creditors dated 19 November 2009.

On the basis that there remained unrealised assets of the Company which were not sold prior to 22 April 2010, the one year anniversary of the Administration, the Administrators submitted an application to Court seeking to extend the term of office by 12 months, in terms of Paragraph 76(2)(a) of Schedule B1 of the Act. This is discussed further at paragraph 5.1 below.

Given the information provided in previous reports, we have not included detailed background information in respect of the Company and have focussed on the progress of the Administration since the last report.

A schedule of statutory information in respect of the Company is attached at Appendix I.

1.2 Details of the appointment of the Administrators

John C Reid and Brian W Milne of Deloitte were appointed Joint Administrators of the Company by the Secured Creditor under paragraph 14 of Schedule B1 of The Act on 23 April 2009.

The Court of the proceedings is The Court of Session, Edinburgh (case number P515/2009).

For the purposes of Paragraph 100(2) of Schedule B1 of the Act, the Administrators confirm that they are authorised to carry out all functions, duties and powers by either of them jointly and severally.

2. THE ADMINISTRATORS' PROPOSALS

2.1 Introduction

As previously reported, the Company had significant secured creditor liabilities and therefore a restructuring of this debt would have been required to meet the first objective. It was apparent that there was insufficient value (ascribed) by third parties in order to effect the restructuring of the Company's significant liabilities and the Administrators concluded that the first option was not possible to achieve. As previously advised, the Administrators determined that the Company's trade of the business known as the Relax Guest House should continue under a Management Agreement, with a view to affecting a going concern sale. In addition, the Company has other property assets and it is considered that the second objective may be achievable in this instance.

Consequently, the Administrators have performed their functions in relation to the Company with the objective set out in Paragraph 3(b) of the Act, which 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 Administration)".

The Administrators' proposals in order to achieve this objective, which were approved by the creditors of the Company following the expiry of 12 days from the receipt of the Administrators' Report and Proposals by the creditors, are as follows:

1. the Administrators continue to manage the affairs and any remaining assets of the Company and the settlement of all Administration expenses;
2. the Administrators continue with their enquiries into the conduct of the Director of the Company and continue to assist any regulatory authorities with their investigation into the affairs of the Company;
3. the Administrators be authorised to agree the claims of the secured, preferential, if any and unsecured creditors against the Company unless the Joint Administrators conclude, in their reasonable opinion, that the Company will have no assets available for distribution;
4. the Administrators be authorised to distribute funds to the secured and any preferential creditors as and when claims are agreed and funds permit and, in relation to distributions to unsecured creditors, if the Court gives permission following an appropriate application;
5. that, in the event the creditors of the Company so determine, at a meeting of creditors, a Creditors Committee be appointed in respect of the Company comprising of not more than five and not less than three creditors of the Company;
6. that, in respect of the Company, the Creditors' Committee, if one is appointed, shall be asked to agree that the Administrators' fees be fixed by reference to the time given in attending to matters arising in the Administration and asked to agree the Administrators' expenses;
7. that, if a Creditors' Committee is not appointed at a meeting of creditors, the meeting of creditors shall be asked to agree the Administrators' fees as well as the Administrators' expenses to be drawn from the Company's assets and

that the Administrators' expenses for mileage be calculated by reference to mileage properly incurred by the Administrators and their staff in attending to matters arising in the Administration, at the prevailing standard mileage rate used by Deloitte LLP at the time when the mileage is incurred (presently up to 40p per mile);

8. that, following the realisation of assets and resolution of all matters in the Administration, and as quickly and efficiently as is reasonably practicable, the Administrators implement the most cost effective steps to formally conclude the Administration. This may include the distribution of funds to unsecured creditors (provided Court permission is obtained) and then the dissolution of the Company or alternatively, seeking to put the Company into Creditors' Voluntary Liquidation ("CVL") or Compulsory Liquidation, depending on which option will result in a better realisation for creditors;
9. that, if the Company were to be placed into CVL, the Administrators propose to be appointed Liquidators and any Creditor Committee appointed will become the Liquidation Committee. As per Paragraph 83(7) of Schedule B1 of the Act and Rule 2.47 of the Rules, the creditors may nominate a different person to be Liquidator(s) provided the nomination is made before the proposals are approved by creditors. For the purposes of Section 231 of the Act the Liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally; and
10. in the absence of a Creditors' Committee, the secured and preferential creditors (to the extent that they exist) of the Company shall be asked to agree that the Administrators be discharged from liability per Paragraphs 98 and 99 of Schedule B1 of the Act immediately upon the Administrators' filing their final report to creditors.

2.2 Progress on and achievement of the approved proposals

We have summarised below the progress and current status in respect of each of the approved proposals:

Proposal	Current status
1	Ongoing
2	Completed. Report submitted on 9 October 2009.
3	Ongoing
4	Ongoing
5	N/A, no creditors' committee appointed
6	N/A, no creditors' committee appointed
7	N/A, no meeting held
8	Ongoing
9	Ongoing
10	Ongoing

Further information in respect of the realisation of assets, the status of liabilities and the estimated outcome for creditors is contained in the following sections of this report.

3. ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT

3.1 Introduction

Attached at Appendix II is the Administrators' Abstract of Receipts and Payments Account covering the six month period from 23 October 2009 to 22 April 2010 and the cumulative total from 23 April 2009 to 22 April 2010.

In this section, we have summarised the main assets and the realisation strategy in respect of each property.

The estimated outcome remains uncertain and is dependent upon future recoveries and costs in the Administration. Therefore, at this stage an EOS has not been prepared. This is discussed further at paragraph 4.5 below.

3.2 Asset realisations

Heritable Property

Following appointment, the Administrators carried out an analysis and investigation of the Company's property portfolio. The properties and their current status are summarised below:

- The Relax Guest House, 11 Eyre Place, Edinburgh – **This property is being traded under a management agreement until such time as a successful sale is achieved;**
- Fairfield Garage, 34 Bellfield Street, Dundee – **Vacant; and**
- 16/18 Stirling Street, Airdrie, ML6 0AH – **The sale of this property concluded in March 2010**

3.3 Realisations to date and estimated future realisations

The Relax Guest House

The Guest House is currently being marketed by the Agents and following a closing date set for interested parties, a successful purchaser has now been sourced. At the time of preparing this report, the proposed sale is at an advanced stage however, formal missives have not yet been concluded.

Should the aforementioned sale not proceed to completion, the strategy with regards to realisation remains for the property to be sold as a functional guest house. However, should this not be possible, the Administrators will consider other options for the realisation of this asset.

Fairfield Garage, 34 Bellfield Street, Dundee

The Agents are also the marketing agent in respect of this property, which received a significant level of interest over the period of the Administration.

Following a detailed review of the interest and offers received to date, an offer has now been accepted for this property. It is anticipated that the missives in this regard will conclude within the next month.

16/18 Stirling Street, Airdrie

Graham & Sibbald Chartered Surveyors were appointed as the marketing agent to act in respect of this property.

Following an extensive marketing process, a sale of the property concluded in March 2010.

General

A prospective purchaser had previously expressed an interest in purchasing The Relax Guest House, together with certain of the assets of Relax Markets Limited and Paulplas Limited, two associated companies. However, despite the issue of a qualified acceptance of this offer by the Administrators, the terms of the acceptance were not met by the prospective purchaser. As a consequence, the Administrators have continued to pursue other avenues of realisation in relation to these assets.

4. DISTRIBUTIONS TO CREDITORS

4.1 Secured Creditors

A formal claim in the sum of £1,533,395 has been received from the Bank which is secured by standard securities (detailed below) and a qualifying floating charge over all property and undertakings of the Company:

- Fairfield Garage, 34 Bellfield Street, Dundee – standard security registered 14 December 2006; and
- Relax Guest house, 11 Eyre Place, Edinburgh – standard security registered 23 April 2009.

The final amounts available for distribution to the Secured Creditor of the Company will be dependent on the future costs and expenses of the Administration.

4.2 Preferential creditors

There are no Preferential Creditors of the Company.

4.3 Prescribed Part

The estimated PP remains uncertain and is dependant upon future recoveries and costs in the Administration, including the cost of agreeing the claims of, and making distributions to, unsecured creditors.

As discussed in paragraph 4.5 below, the Administrators have determined that the disclosure of an estimate of the value of the Company's net property would seriously prejudice the commercial interests of the Company. Accordingly, no estimate of the PP is provided.

The quantum of unsecured claims will also impact any dividend available to unsecured creditors and the quantum of unsecured claims remains uncertain at this stage.

4.4 Unsecured creditors

After discharging the costs of the Administration, it is forecast that there may be insufficient realisations from floating charge assets to repay the Secured Creditor in full.

Accordingly, we do not expect that any funds will be available to pay a dividend to the unsecured creditors of the Company, other than by possibly a distribution under the PP as noted above.

4.5 Estimated Outcome

In light of the ongoing discussions over the sale of the Company's assets, the Administrators have determined that the disclosure of an estimate of the value of the Company's net property would seriously prejudice the commercial interests of

the Company. Accordingly, pursuant to Rule 2.25(k)(i)(bb) of the Rules, this information was not disclosed as part of the Administrators' Report and Proposals and it is therefore not included as part of this report. The net property realisations will arise from the sale of the Company's property portfolio.

The estimated outcome remains uncertain and is dependant upon future recoveries and costs in the Administration.

5. OTHER MATTERS AND INFORMATION TO ASSIST CREDITORS

5.1 Extensions to the initial appointment period

As referred to at paragraph 1.1 above, on the basis that there remained unrealised assets of the Company which were not sold prior to 22 April 2010, the one year anniversary of the Administration, the Administrators submitted an application to Court seeking to extend the term of office by 12 months, in terms of Paragraph 76(2)(a) of Schedule B1 of the Act. The application was duly granted by the Court of Session, Edinburgh and the Administration extended for a further 12 months to 22 April 2011.

5.2 Investigations

We carried out investigations into the conduct of the Directors of the Company and a report was submitted to the Department of Trade and Industry (now known as the Department for Business, Innovation & Skills) on 9 October 2009.

5.3 Exit

The exit routes available to the Administrators were detailed in the Joint Administrators' Report and Proposals dated 16 June 2009.

Following realisation of the remaining assets and conclusion of the Administration, it is anticipated that the Administrators will file a notice with the Registrar of Companies under Paragraph 84 of Schedule B1 of the Act (notice of move from Administration to dissolution).

On registration of this notice, the appointment of the Administrators in respect of the Company will cease to have effect.

5.4 SIP 13 (Scotland) – Transactions with connected parties

In accordance with the guidance given in Statement of Insolvency Practice Number 13 (Scotland), there were no transactions with connected parties during this period.

5.5 EC Regulations

As stated in the Administration Order in respect of the Company, Council Regulation (EU) No 1346/2000 applies and these are the main proceedings as defined in Article 3(1) of that regulation.

6. ADMINISTRATORS' FEES AND EXPENSES

6.1 Administrators' Fees

In accordance with Rule 2.39(9)(b) of the Rules and the Statement of Administrators' Proposals dated 16 June 2009, the Administrators' remuneration and outlays requires the approval of the Secured Creditor and Preferential Creditors. As there are no Preferential Creditors of the Company the approval of the Administrators' remuneration and outlays will be given by the Secured Creditor.

The Administrators gross time costs from 23 April 2009 to 22 April 2010 totalled £59,071.63. The Secured Creditor approved a payment on account of £30,000 plus VAT. As noted above, the Administrators are not aware of any preferential creditors from whom to seek additional approval.

A detailed analysis of the time costs from 23 April 2009 to 22 April 2010 is attached at Appendix III.

Statement of Insolvency Practice 9 (Scotland) – Remuneration of Insolvency Office Holders ("SIP 9"), which includes a Creditors Guide to Administrators' Fees, is available via this link:

[https://www.r3.org.uk/uploads/sip/SIP9%20Scotland %20%201-4-2007.pdf](https://www.r3.org.uk/uploads/sip/SIP9%20Scotland%20%201-4-2007.pdf).

We will also be pleased to provide a copy of SIP 9 to you on request.

6.2 Disbursements

The Administrators' direct disbursements for the Administration to date are as follows:

Nature of disbursement	Total for the period (£)
Travel	92.17
Subsistence	51.14
Total	143.31

Note that Deloitte policy is to seek approval of both Category 1 and 2 disbursements and therefore there is no need to distinguish between the two. Disclosure is required where we have incurred Category 2 expenses such as mileage and internal copying.

Mileage is calculated at the prevailing standard mileage rate of up to 40p used by Deloitte at the time when the mileage is incurred.

6.3 Other professional costs

As previously advised, agents have been appointed to advise on the marketing and sale of the Company's assets. Their fees, in the most part, are to be based upon a percentage of the sales proceeds received and as such, not all fees have been received. Costs received to date are detailed below.

Maclay Murray & Spens solicitors were instructed to carry out the legal administration of the appointment. Details of the costs incurred to date are detailed below.

All professional costs are reviewed and analysed before payment is approved.

	Gross (£)
Graham & Sibbald Chartered Surveyors	4,874.25
DM Hall Chartered Surveyors	307.63
Maclay Murray & Spens	641.30
Total	5,823.18

STATUTORY INFORMATION

Company Name:	A & K Guest House Limited (in Administration)
Court Reference:	P515/09 Court of Session, Edinburgh
Date of Appointment of Joint Administrators:	23 April 2009
Joint Administrators:	John Charles Reid & Brian William Milne Deloitte LLP Lomond House 9 George Square Glasgow G2 1QQ
Registered Office Address:	c/o Deloitte LLP Lomond House 9 George Square Glasgow G2 1QQ
Former Registered Office Address:	11 Eyre Place Edinburgh EH3 5ES
Company Number:	SC261082
Company Secretary:	Kalash Kaur Singh
Bankers:	Clydesdale Bank PLC
Appointment by:	Clydesdale Bank PLC – under paragraph 14 of Schedule B1 of the Insolvency Act 1986 (as amended)
Directors at the date of Appointment:	Ameet Singh
Shareholdings (all at £1 nominal value):	Ameet Singh – 50 ordinary shares Kirpal Singh – 50 ordinary shares

ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT AS AT 22 APRIL 2010

A & K Guest House Limited (In Administration)		
Joint Administrators' Receipts and Payments Account at 22 April 2010		
	Interim Period 23/10/09 to 22/04/10 (£)	Cumulative to date (£)
RECEIPTS		
16/18 Stirling Street, Airdrie	303,512.33	303,512.33
Rental Income for 16/18 Stirling Street, Airdrie	16,000.00	32,000.00
Management Fee – The Relax Guest House	12,300.00	13,687.00
	<u>331,812.33</u>	<u>349,199.33</u>
PAYMENTS		
Administrators' Fees	30,000.00	30,000.00
Agents / Legal Fees	4,673.38	6,973.06
Specific Bond	18.00	54.00
Statutory Advertising	0.00	326.03
Registers of Scotland	0.00	15.00
Rates	0.00	125.72
Insurance of Assets	2,828.55	2,828.55
Suspense Account	30,253.42	30,253.42
	<u>67,773.35</u>	<u>70,575.78</u>
Balance	<u>264,038.98</u>	<u>278,623.55</u>
REPRESENTED BY:		
IB Current A/C		272,227.89
Due to Deloitte		42.98
VAT Control A/c		6,352.68
		<u>278,623.55</u>

ADMINISTRATORS' ANALYSIS OF TIME COSTS FOR THE PERIOD 23 APRIL 2009 TO 22 APRIL 2010

Classification of work function	Appointment Holder / Partner	Manager / Senior Manager	Assistant Manager	Senior Associate	Associate	TOTAL HOURS	Time cost	Average hourly rate
							£	£
Administration & Planning								
Immediate Actions / Identify Assets	5.80	3.75	8.00	12.00	-	29.55	8,717.25	295.00
Meetings / Telecom	0.40	1.00	3.00	-	-	4.40	1,255.00	285.23
Notification of App / Reporting	1.70	11.55	7.00	12.90	-	33.15	8,439.38	254.28
Compliance	1.00	7.35	-	7.90	-	16.25	4,231.85	260.42
D-Return	0.30	1.50	-	-	-	1.80	600.00	333.33
Fees	0.40	1.00	-	-	-	1.40	624.00	445.71
Cashiering	-	2.50	4.10	11.40	-	18.10	4,824.95	266.57
	9.60	28.75	22.10	44.20	-	104.65	28,682.43	274.08
Realisation of Assets								
Sale of Business	-	5.25	-	-	-	5.25	1,548.75	295.00
Freehold Property	10.40	52.90	10.50	0.80	-	74.60	24,079.50	322.78
Book Debts	-	-	-	0.90	-	0.90	162.00	180.00
	10.40	58.15	10.50	1.70	-	80.75	25,790.25	319.38
Trading								
Trading - Monitor Trading Management Agreement	0.50	4.75	3.00	-	-	8.25	2,413.75	292.58
	0.50	4.75	3.00	-	-	8.25	2,413.75	292.58
Creditors								
Secured Creditors	1.10	2.50	-	-	-	3.60	1,320.00	366.67
Input Creditor information / Creditor Circular	0.50	1.00	-	1.80	-	3.30	865.20	262.18
	1.60	3.50	-	1.80	-	6.90	2,185.20	316.70
TOTAL	22.10	95.15	35.60	47.70	-	200.55	69,071.63	344.66

2009 - Hourly rates		2010 - Hourly Rates	
£		£	
Partner (London)	850.00	Partner (London)	895.00
Partner	615.00	Partner	630.00
Director (London)	745.00	Director (London)	785.00
Director	525.00	Director	535.00
Senior Manager (London)	605.00	Senior Manager (London)	640.00
Senior Manager	380 / 440	Senior Manager	410 / 465
Manager (London)	540.00	Manager (London)	560.00
Manager	295 / 340	Manager	310 / 355
Assistant Manager (London)	425.00	Assistant Manager (London)	445.00
Assistant Manager	250 / 285	Assistant Manager	265 / 275
Senior Associate (London)	250.00	Senior Associate (London)	265.00
Senior Associate	160 / 170	Senior Associate	175 / 180
Associate	145.00	Associate	165.00
Associate (London)	250.00	Associate (London)	265.00