

The Insolvency Act 1986

Administrator's progress report

Name of Company Ashpol plc	Company number 00104394
In the High Court of Justice, Chancery Division	Court case number 2756 of 2012

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

We (a) Mark Robert Fry and Kirstie Jane Provan both of Begbies Traynor (Central) LLP, 32 Cornhill
London, EC3V 3BT

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

from

to

(b) Insert dates

(b) 28 September 2012

(b) 22 February 2013

Signed


Joint Administrator

Dated

6/3/13

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 members of the public record.

Begbies Traynor (Central) LLP	
32 Cornhill, London, EC3V 3BT,	
	Tel Number 020 7398 3800
Fax Number 020 7398 3799 (Fax)	DX Number

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



LD3

22/03/2013

#51

COMPANIES HOUSE

FRIDAY



The affairs, business and property of the Company are being managed by the Joint Administrators, who act as the Company's agents and without personal liability

Ashpol plc (In Administration)

Progress report pursuant to Rule 2.47 of the
Insolvency Rules 1986

Period: 28 September 2012 to 22 February 2013

Important Notice

This progress report has been produced to comply with our statutory duty to report to creditors on the progress of the administration. 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 this report to them, or by any other person for any purpose whatsoever.

Contents

- Interpretation
- Company information
- Details of appointment of administrators
- Progress during the period
- Estimated outcome for creditors
- Pre-administration costs
- Remuneration and disbursements
- Expenses
- Assets that remain to be realised
- Other relevant information
- Creditors' rights
- Conclusion
- Appendices
 - 1 Account of receipts and payments
 - 2 Time costs and disbursements
 - 3 Statement of administrators' expenses

1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	Ashpol plc (In Administration)
"the administration"	The appointment of administrators under Schedule B1 to the Insolvency Act 1986 on 28 March 2012
"the administrators" "we" "our" and "us"	Mark Robert Fry and Kirstie Jane Provan both of Begbies Traynor (Central) LLP, 32 Cornhill, London, EC3V 3BT
"the Act"	The Insolvency Act 1986 (as amended)
"the Group"	Ashpol Plc, Ashpol (Bristol) Limited, Ashpol (Ipswich) Limited, Ashpol (Wellheads) Limited, Ashpol (Huddersfield) Limited, Goldacre (Offices) Limited and Vasella Holdings Limited
"Goldacre"	Goldacre (Offices) Limited
"the Harlow Site"	Land and buildings on the north west side of London Road, Harlow
"the Charging Subsidiaries"	Ashpol (Bristol) Limited, Ashpol (Ipswich) Limited, Ashpol (Wellheads) Limited, Ashpol (Huddersfield) Limited, Goldacre (Offices) Limited and Vasella Holdings Limited
"the Rules"	The Insolvency Rules 1986 (as amended)
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act), and (ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Insolvency Act 1986
"the Harlow Buyer"	Harlow Properties Limited (Company Registration No 54208) whose registered office is at Martello Court, Admiral Park, St Peter Port, Guernsey, GY1

4. PROGRESS DURING THE PERIOD

Please refer to previous reports in respect of the sale of the Group's property portfolio together with details of the distributions made to the Company's bondholders

Tax Issues

During the period the Joint Administrators have had to liaise with HM Revenue and Customs ("HMRC") in relation to various Corporation Tax appeals in the periods prior to administration. Since these appeals relate to technical tax issues dating back to 2002, the Joint Administrators have instructed the Company's former tax advisers, BDO LLP, for assistance and to finalise HMRC's unsecured claim against the Company. The resolution to these appeals remains ongoing.

Nortel Claims

As reported previously, Nortel Networks UK have defaulted on two leases in relation to the Harlow Site. Consequently, Goldacre has a claim in the administration of Nortel Networks UK and Nortel Networks ("the Nortel Claims"). The Harlow Sale Agreement provides that the Harlow Buyer shall maintain the Nortel Claims on Goldacre's behalf.

There is currently no certainty whether any amounts will be received by the Harlow Buyer in respect of the Nortel Claims or the Nortel Leases and therefore there can be no certainty that there will be any such amount payable by the Harlow Buyer to Goldacre pursuant to the Harlow Sale Agreement, nor can there be any certainty as to a likely time of receipt of any such payment.

During the period, Clyde & Co (Solicitors) have continued to liaise with the Harlow Buyer to determine the prospect of any realisations to the estate and we have been notified that further information in this regard may become available in April 2013.

Preference Payments

Following investigations into the Company's affairs in the periods prior to administration, the Joint Administrators have determined two preference claims relating to monies paid to two related companies within the 2-year 'relevant period' prior to administration ("the Preference Claims").

Negotiations regarding the settlement of these claims are at an advanced stage. Consequently, due to the sensitivities of the claims, the Joint Administrators cannot provide any further information at this juncture.

Receipts and Payments

Attached at Appendix 1 is our abstract of receipts and payments for the period from 28 September 2012 to 22 February 2013 ("the Account"). The Joint Administrators' comments on the items appearing in the Account are detailed below. Please note that the amounts shown are exclusive of VAT.

RECEIPTS

Cash at Bank

During the period an amount of £137,923 has been received in relation to the Company's cash at bank. These funds specifically relate to VAT charged on rents to the tenants of the Portfolio Properties and the Harlow Site in the period immediately prior to administration. Consequently, HMRC will have an unsecured claim in the administration for these funds.

Rent

During the period an amount of £22,735 has been received in respect of rent charged for the three day period between the last rent date (25 March 2012) and the appointment of the Joint Administrators

(Gross) Bank Interest

Gross interest earned on deposits held in the 'floating charge' estate bank account amounted to £213

PAYMENTS

Authorised pre-appointment fees for Subsidiaries

On 8 November 2012, the Company's creditors authorised that pre-administration costs of the Company's subsidiaries' administrations, be discharged from the estate of the Company, as there are no funds in the individual estates to do so. Therefore, during the period an amount of £8,600 was paid to Begbies Traynor (Central) LLP in settlement of these outstanding time costs

Legal Fees and Disbursements

Legal fees and disbursements totalling £2,493 and £187 respectively, has been paid to Clyde & Co LLP (Solicitors) in respect of their fees specifically attributable to dealing with legal matters arising during the administration

Stationary and Postage

An amount of £2,677 has been paid to the Imprima UK Limited in respect of photocopying and postage charges incurred during the administrations of the Group

Statutory Advertising

During the period an amount of £227 has been paid in respect of statutory advertising costs for the Group

Bank Charges

An amount of £13 has been paid in the period in relation to bank charges

5. ESTIMATED OUTCOME FOR CREDITORS

Secured creditors

Law Debenture Trustees Limited

On 6 December 1985, the Company issued £75million of 10.75% first mortgage debenture stock which is constituted by the Trust Deed between, among others, the Company and its Trustee, Law Debenture Trustees Limited (formerly known as Eagle Star Trust Company)

Following the completion of the Sales and the release of both the Portfolio Properties and the Harlow Site, two distributions totalling £50million were paid to the Trustee to hold on trust for the Stockholders as an initial and partial repayment for the Stock in accordance with the provisions of the Trust Deed. This has resulted in a payment of an amount of approximately £0.66 (less any applicable costs and expenses of the Trustee) for each £1.00 in nominal value of the Stock.

To the extent that the aggregate amount paid to Stockholders upon completion of the Sales (inclusive of any additional amount payable in respect of the Nortel Claims pursuant to the Harlow Sale Agreement) is less than the total amount due to Stockholders from the Company, the Stockholders will have a claim as unsecured creditors for the outstanding amounts owed to them from the Group

The Group does not have any material assets and, save to the extent that there are other as yet unidentified material assets, the Stockholders shall rank *pari passu* with other unsecured creditors in respect of any outstanding amounts owed by the Company to Stockholders

Preferential creditors

The Joint Administrators are not aware that the Company had any employees and therefore, there are no known preferential creditors

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

Section 176A of the Act provides that, where a company has created a floating charge on or after 15 September 2003, the administrator must make a *prescribed part* of the company's *net property* available for the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured debts. *Net property* means the amount which would, were it not for this provision, be available to floating charge holders out of floating charge assets (i.e. after accounting for preferential debts and the costs of realising the floating charge assets). The floating charge holder may not participate in the distribution of the prescribed part of the company's net property. The *prescribed part of the company's net property* is calculated by reference to a statutory scale as follows

- ☐ 50% of the first £10,000 of *net property*;
- ☐ 20% of *net property* thereafter;
- ☐ Up to a maximum amount to be made available of £600,000

An administrator will not be required to set aside the *prescribed part of net property* if

- ☐ the *net property* is less than £10,000 and the administrator thinks that the cost of distributing the *prescribed part* would be disproportionate to the benefit, (Section 176A(3)) or
- ☐ the administrator applies to the court for an order on the grounds that the cost of distributing the *prescribed part* would be disproportionate to the benefit and the court orders that the provision shall not apply (Section 176A(5))

To the best of our knowledge and belief, there are no unsatisfied floating charges created or registered on or after 15 September 2003 and, consequently, there is no net property as defined in Section 176A(6) of the Act and, therefore, no prescribed part of net property is available for distribution to the unsecured creditors

Unsecured creditors

As detailed above, should there be a shortfall to the Stockholders following completion of the Sales (inclusive of any additional amount payable in respect of the Nortel Claims pursuant to the Harlow Sale Agreement), the Stockholders will have a claim as unsecured creditors for the outstanding amounts owed to them from the Company and the Charging Subsidiaries. Based upon present information, this seems likely. Consequently, we are unable to determine the quantum of unsecured claims against the Company at this juncture

The prospect of a distribution to unsecured creditors is wholly dependent upon the level of realisations achieved from any recoveries made from the Nortel Claims and the Preference Claims, subject to the prior claims of the Trustee under the terms of the Trust Deed

6. PRE-ADMINISTRATION COSTS

The amount of £35,130 in respect of pre-administration costs (detailed in the administrators' proposals as providing advice on the Company's financial position and assisting the Directors with all the formalities for the Company to enter into administration) were approved by the secured creditors (by way of a resolution approved by the majority in value at a meeting of creditors held on 2 May 2012) in accordance with Rule 2.67A of the Rules

7. REMUNERATION & DISBURSEMENTS

Our remuneration has been fixed by reference to the time properly given by us (as administrators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the administration and we are authorised to draw disbursements, including disbursements for services provided by our firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) in accordance with our firm's policy, details of which accompanied the Statement of Proposals for achieving the purpose of administration and which are attached at Appendix 2 of this report

Our time costs for the period from 28 March 2012 to 22 February 2013 amount to £204,251 which represents 705.1 hours at an average rate of £289.68 per hour

The following further information in relation to our time costs and disbursements is set out at Appendix 2

- ☐ Narrative summary of time costs incurred
- ☐ Table of time spent and charge-out value for the period 28 March 2012 to 22 February 2013
- ☐ Begbies Traynor (Central) LLP's policy for re-charging disbursements
- ☐ Begbies Traynor (Central) LLP's charge-out rates

To date, we have drawn the total sum of £181,450 plus disbursements of £226 on account

8. ADMINISTRATORS' EXPENSES

A statement of the expenses incurred during the period of this progress report is attached at Appendix 3

9. ASSETS THAT REMAIN TO BE REALISED

Nortel Claims

As stated above, Goldacre has a claim in the administration of Nortel Networks UK and Nortel Networks. As at 27 March 2012, a total of £80,124,105.06 was owed to Goldacre by Nortel Networks UK

There is currently no certainty whether any amounts will be received by the Harlow Buyer in respect of the Nortel Claims or the Nortel Leases. The prospects of success of the Nortel Claims or any distribution from any administrator or liquidator of Nortel Networks UK and of the surrender premium or arrears in respect of the Nortel Leases becoming payable are unclear and, even if successful, it is unclear what dividend, surrender premium, distribution or arrears (if any) will be payable in respect of the Nortel Claims, as Nortel Networks UK is in administration and is currently subject to legal proceedings involving the Pensions Regulator

Clyde & Co continue to liaise with the Harlow Buyer to determine the prospect of any realisations to the estate in this regard

Preference Payments

Negotiations regarding the settlement of the two preference payment claims (stated in section 4 above) are at an advanced stage. Consequently, due to the sensitivities of the claims, the Joint Administrators cannot provide any further information at this juncture.

10. OTHER RELEVANT INFORMATION

Report on Directors conduct

As detailed in our statement of proposals, we have a duty to submit a report to the Department for Business, Innovation and Skills on the conduct of the directors. The Joint Administrators can confirm that their duties in this respect have been discharged.

11. CREDITORS' RIGHTS

Right to request further information

Pursuant to Rule 2.48A of the Rules, within 21 days of the receipt of this report a secured creditor, or an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors, including that creditor (or an unsecured creditor with less than 5% in value of the unsecured creditors, but with the permission of the court) may request in writing that we provide further information about our remuneration or expenses (other than pre-administration costs) which have been detailed in this progress report.

Right to make an application to court

Pursuant to Rule 2.109 of the Rules, any secured creditor or an unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors including that creditor (or any unsecured creditors with less than 10% in value of the unsecured creditors, but with the permission of the court) may, within 8 weeks of receipt of this progress report, make an application to court on the grounds that the remuneration charged or the expenses incurred as set out in this progress report are excessive or, the basis fixed for our remuneration is inappropriate.

12. CONCLUSION

Paragraph 76 of Schedule B1 to the Act provides that the appointment of an administrator shall cease to have effect at the end of the period of one year beginning with the date on which it takes effect. However, the administrator's term of office may be extended either by court order for a specified period or by consent of the creditors for a specified period not exceeding six months.

In order to ensure that the objective of the administration is achieved (namely the recovery of the Nortel claims and the preference payments, detailed in section 9 above) and that we have fully discharged our duties as administrators, it is necessary to extend the period of the administration. Accordingly we seek creditors' consent to extend the period of the administration for 6 months following the anniversary of our appointment up to 27 September 2013.

A form of resolution is attached for completion and return to this office within 14 days of receipt. In the event that creditors' consent to extend the period, we will give notice of the extension to creditors

We will report again in approximately six months time or at the conclusion of the administration, whichever is the sooner

A handwritten signature in black ink, appearing to read 'Kirstie Provan', written over the printed name.

Kirstie Provan
Joint Administrator

Dated 6/3/13

ACCOUNT OF RECEIPTS AND PAYMENTS

Period: 28 March 2012 to 22 February 2013

Ashpol plc
(In Administration)
Joint Administrators' Abstract of Receipts & Payments

Statement of Affairs		From 28/09/2012 To 22/02/2013	From 28/03/2012 To 22/02/2013
£	ASSET REALISATIONS	£	£
57,553 00	Book Debts	NIL	NIL
22 00	Cash at Bank	137,922 85	137,922 85
	Rent	22,734 53	22,734 53
	Payment on a/c from Finch	NIL	400,000 00
	Bank Interest Gross	212 78	256 58
		<u>160,870 16</u>	<u>560,913 96</u>
	COST OF REALISATIONS		
	Administrators' Pre-Appointment fees	NIL	41,177 00
	Joint Administrators' Fees	86,200 00	181,450 00
	Joint Administrators' Disbursements	134 63	226 19
	Authorised pre-appointment fees for su	8,600 00	8,600 00
	Legal Fees	2,493 00	73,511 00
	Legal Disbursements	186 90	3,271 02
	Stationery & Postage	2,677 14	9,013 42
	Statutory Advertising	226 50	988 50
	Bank Charges	12 50	12 50
		<u>(100,530 67)</u>	<u>(318,549 63)</u>
(100,880 00)	UNSECURED CREDITORS		
	Trade Creditors	NIL	NIL
		NIL	NIL
(10,712 00)	DISTRIBUTIONS		
	Ordinary Shareholders	NIL	NIL
		NIL	NIL
(54,017 00)		<u>60,339.49</u>	<u>242,364 33</u>
	REPRESENTED BY		
	Vat Receivable		3,743 19
	Bank 2 Current		238,921 14
			<u>242,664 33</u>

TIME COSTS AND DISBURSEMENTS

- a Begbies Traynor (Central) LLP's policy for re-charging expenses/disbursements,
- b Begbies Traynor (Central) LLP's charge-out rates,
- c Narrative summary of time costs incurred, and
- d Table of time spent and charge-out value for the period from 28 March 2012 to 22 February 2013

BEGBIES TRAYNOR CHARGING POLICY

INTRODUCTION

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis. Best practice guidance¹ requires that such information should be disclosed to those who are responsible for approving remuneration.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm. Best practice guidance² requires that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

OFFICE HOLDERS' FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

The office holder has overall responsibility for the administration of the estate. He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level. There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded at the individual's hourly rate in force at that time which is detailed below.

EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

Best practice guidance classifies expenses into two broad categories:

- *Category 1 disbursements (approval not required)* - specific expenditure that is directly related to the case usually referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred.
- *Category 2 disbursements (approval required)* - items of incidental expenditure directly incurred on the case which include an element of shared or allocated cost and which are based on a reasonable method of calculation.

(A) The following items of expenditure are charged to the case (subject to approval):

- Internal meeting room usage for the purpose of statutory meetings of creditors is charged at the rate of £150 per meeting,
- Car mileage is charged at the rate of 45 pence per mile,
- Storage of books and records (when not chargeable as a *Category 1 disbursement*) is charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates.

¹ Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales

² Ibid 1

(B) The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 disbursement*

- Telephone and facsimile
- Printing and photocopying
- Stationery

BEGBIES TRAYNOR CHARGE-OUT RATES

Begbies Traynor is a national firm. The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions. The rates applying to the London office as at the date of this report are as follows

Grade of staff	£
Partner	495
Director	395
Senior Manager	365
Manager	315
Assistant Manager	270
Senior Administrator	235
Administrator	185
Trainee Administrator	160
Support	160

Time spent by support staff for carrying out shorter tasks, such as typing or dealing with post, is not charged to cases but is carried as an overhead. Only where a significant amount of time is spent at one time on a case is a charge made for support staff.

Time is recorded in 6 minute units

SUMMARY OF OFFICE HOLDERS' TIME COSTS

CASE NAME	Ashpol plc
CASE TYPE	Administration
OFFICE HOLDERS	Mark Robert Fry and Kirstie Jane Provan
DATE OF APPOINTMENT	28 March 2012

1 CASE OVERVIEW

- 1.1 This overview and the time costs analysis attached is intended to provide sufficient information to enable the body responsible for the approval of the office holders' fees to consider the level of those fees in the context of the case

1.2 **Complexity of the case**

The Company's loan stock was secured against six properties legally owned by its subsidiaries. Matters have proved complicated due to the ongoing negotiations with the Trustee, on behalf of its Stockholders, for the sale of the Property Portfolios

1.3 **Exceptional responsibilities**

Due to the nature of the assignment it has been necessary for the Joint Administrators to instruct solicitors, Clyde & Co, to assist with the sale agreements of the Group's Property Portfolio

1.4 **The office holders' effectiveness**

On 28 March 2012, following the appointment of the Joint Administrators, two separate conditional property sale agreements, the Harlow Sale Agreement and the Portfolio Properties Sale Agreement, were entered into in relation to the proposed sale of the Harlow Site to Harlow Properties Limited and the proposed sale of the Portfolio Properties to the Portfolio Buyers respectively. At a meeting of the Stockholders on 2 May 2012, the two sales were approved and have been completed.

The consideration received from Harlow Properties Limited and the Portfolio Properties' Buyers under the agreements was £50 million in aggregate. Accordingly, the aggregate consideration represents a premium of 38% above the aggregate valuation of the Harlow Site and Portfolio Properties as set out in a valuation undertaken prior to the administration by DTZ Debenham Tie Leung Limited.

The Joint Administrators have concluded their investigations into the manner in which the business was conducted prior to the administration and have identified two preference claims, which are being negotiated for settlement. These negotiations remain ongoing.

1.5 **Nature and value of property dealt with by the office holders**

Freehold Properties

The Company's loan stock is secured against properties legally owned by its subsidiaries, as detailed below:

- Goldacre (Offices) Limited - North West side of London Road, Harlow, Essex
- Ashpol (Bristol) Limited - Union Business Park, Bristol
- Ashpol (Ipswich) Limited - Celsius House, Ipswich

- Ashpol (Wellheads) Limited - Wellheads Industrial Estate Aberdeen
- Ashpol (Huddersfield) Limited - Folly Hall, Huddersfield
- Vasella Holdings Limited - City Gate, Nottingham

These properties were disposed of for an aggregate consideration of £50 million, as approved by the Company's Stockholders,

Nortel Claims

There is also a claim against Nortel Networks UK for £12,092,278 Pursuant to the terms of the Harlow Sale Agreement, the Harlow Buyer must, for a period of 12 months following the date of the Harlow Sale Agreement, maintain the Nortel Claims on Goldacre's behalf, and use reasonable endeavours to obtain a surrender of the Nortel Leases Any payment of arrears or surrender premium shall be accepted on behalf of Goldacre and an equivalent amount will be paid to Goldacre within 10 working days of receipt of such funds (less any reasonable costs and expenses and proper payments of tax incurred by the Harlow Buyer in relation to the process) Goldacre will pay on such funds received to the Trustee to hold on trust for the Stockholders

Cash at Bank

An amount of £137,923 has been received in relation to the Company's cash at bank These funds specifically relate to VAT charged on rents to the tenants of the Portfolio Properties and the Harlow Site in the period immediately prior to administration

Rent

An amount of £22,735 has been received in respect of rent charged for the three day period between the last rent date (25 March 2012) and the appointment of the joint administrators

1 6 Anticipated return to creditors

Secured creditors

Law Debenture Trustees Limited

On 6 December 1985, the Company issued £75million of 10 75% first mortgage debenture stock which is constituted by the Trust Deed between, among others, the Company and its Trustee, Law Debenture Trustees Limited (formerly known as Eagle Star Trust Company)

Following the completion of the Sales and the release of both the Portfolio Properties and the Harlow Site, two distributions totalling £50million were paid to the Trustee to hold on trust for the Stockholders as an initial and partial repayment for the Stock in accordance with the provisions of the Trust Deed This has resulted in a payment of an amount of approximately £0 66 (less any applicable costs and expenses of the Trustee) for each £1 00 in nominal value of the Stock

To the extent that the aggregate amount paid to Stockholders upon completion of the Sales (inclusive of any additional amount payable in respect of the Nortel Claims pursuant to the Harlow Sale Agreement) is less than the total amount due to Stockholders from the Company, the Stockholders will have a claim as unsecured creditors for the outstanding amounts owed to them from the Group

The Group does not have any material assets and, save to the extent that there are other as yet unidentified material assets, the Stockholders shall rank *pari passu* with other unsecured creditors in respect of any outstanding amounts owed by the Company to Stockholders

Preferential creditors

The Joint Administrators are not aware that the Company had any employees and therefore, there are no known preferential creditors

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

Section 176A of the Act provides that, where a company has created a floating charge on or after 15 September 2003, the administrator must make a *prescribed part* of the company's *net property* available for the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured debts. *Net property* means the amount which would, were it not for this provision, be available to floating charge holders out of floating charge assets (i.e. after accounting for preferential debts and the costs of realising the floating charge assets). The floating charge holder may not participate in the distribution of the prescribed part of the company's net property. The *prescribed part of the company's net property* is calculated by reference to a statutory scale as follows

- 50% of the first £10,000 of *net property*;
- 20% of *net property* thereafter;
- Up to a maximum amount to be made available of £600,000

An administrator will not be required to set aside the *prescribed part of net property* if

- the *net property* is less than £10,000 and the administrator thinks that the cost of distributing the *prescribed part* would be disproportionate to the benefit, (Section 176A(3)) or
- the administrator applies to the court for an order on the grounds that the cost of distributing the *prescribed part* would be disproportionate to the benefit and the court orders that the provision shall not apply (Section 176A(5))

To the best of our knowledge and belief, there are no unsatisfied floating charges created or registered on or after 15 September 2003 and, consequently, there is no net property as defined in Section 176A(6) of the Act and, therefore, no prescribed part of net property is available for distribution to the unsecured creditors

Unsecured creditors

As detailed above, should there be a shortfall to the Stockholders following completion of the Sales (inclusive of any additional amount payable in respect of the Nortel Claims pursuant to the Harlow Sale Agreement), the Stockholders will have a claim as unsecured creditors for the outstanding amounts owed to them from the Company and the Charging Subsidiaries. Based upon present information, this seems likely. Consequently, we are unable to determine the quantum of unsecured claims against the Company at this juncture.

The prospect of a distribution to unsecured creditors is wholly dependent upon the level of realisations achieved from any recoveries made from the Nortel Claims and the Preference Claims, subject to the prior claims of the Trustee under the terms of the Trust Deed.

17 Time costs analysis

An analysis of time costs incurred between 28 March 2012 and 22 February 2013 prepared in accordance with Statement of Insolvency Practice 9 is attached showing the number of hours spent by each grade of staff on the different types of work involved in the case, and giving the average hourly rate charged for each work type.

18 The views of the creditors

The Joint Administrators have notified all known creditors and Stockholders of the progress of the administration. A meeting of creditors was held on 2 May 2012, following an EGM of the Company's Stockholders.

1 9 Approval of fees

The Joint Administrators remuneration has been fixed under Rule 2.106 of the Rules by reference to the time properly given by us (as administrators) and the various grades of our staff calculated at the prevailing hourly rates of Beggies Traynor in attending to matters arising in the administration. This resolution was passed at the creditors meeting held on 2 May 2012.

1 10 Approval of Expenses and Disbursements

The Joint Administrators' disbursements, including disbursements for services provided by their firm (defined as Category 2 disbursements in Statement of Insolvency Practice 9) has been approved at the creditors meeting on 2 May 2012.

1 11 Other professionals employed & their costs

The Joint Administrator's Solicitors, Clyde & Co, are acting on behalf of the joint administrators in relation to the sale of the Group's Properties. They have been instructed on a time cost basis. To date, fees and disbursements totalling £73,511 plus VAT and £3,271 plus VAT respectively have been paid during the administration.

The Joint Administrator's have also instructed the Company's pre-appointment tax advisers, BDO LLP, to resolve the Company's pre-appointment tax disputes in order to finalise HMRC's final claim in the administration. BDO LLP are being paid on a fixed fee basis limited to £5,000 plus VAT. No fees have been paid to BDO at the date of this report.

All paid costs have been reviewed for reasonableness prior to payment.

3 SUMMARY OF WORK CARRIED OUT SINCE OUR LAST REPORT

The following work has been carried out since our appointment:

- All administration banking requirements,
- All insurance requirements over the Company's assets,
- Enquiries from creditors and stockholders,
- Internal case strategy meetings,
- Preparation of the joint administrators' progress reports,
- Holding meeting of the Company's creditors,
- Holding meeting of the Company's Stockholders,
- Completed two separate conditional property sale agreements in relation to the sale of the Harlow Site to Harlow Properties Limited and the proposed sale of the Portfolio Properties to the Portfolio Buyers respectively
- Made the relevant submissions to HM Revenue and Customs,
- Investigated the Company's pre-administration trading positions;
- Investigated the conduct of the Company's directors and made a submission to the Department of Business, Innovation and Skills as required under Company Directors Disqualification Act 1986,
- Compliance reviews,
- Reported to the Company's bondholders,
- Realised cash at bank and rental incomes,
- Considered the Company's tax position and whether tax losses have value
- Liaising with BDO and HMRC in respect of the Company's pre-appointment Corporation Tax disputes,
- Investigated various preference claims and negotiating proposed settlement

STATEMENT OF ADMINISTRATORS' EXPENSES

Type of expense	Name of party with whom expense incurred	Amount incurred £	Amount discharged £	Balance (to be discharged) £
Taxi Fares	Various	45 00	45 00	-
Postage Costs	Royal Mail	52 50	52 50	-
Rail Costs	London Underground	6 00	6 00	-
Companies House Fees	Registrar of Companies	1 00	1 00	-
Swear Fees	-	16 69	16 69	-
Bordereau	Insolvency Risk Services	105 00	105 00	-
	Total	226 19	226 19	-