

The Insolvency Act 1986

Statement of administrator's proposals

2.17B

Name of Company Kingavon Limited	Company number 1325578
In the High Court, Chancery Division Birmingham District Registry [full name of court]	Court case number 4298 of 2006

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

We Graham Paul Bushby and Nigel Millar of Baker Tilly, 5th Floor, Exchange House, 446 Midsummer Boulevard, Central Milton Keynes, Mk9 2EA

* Delete as applicable

attach a copy of our proposals in respect of the administration of the above company.

A copy of these proposals was sent to all known creditors on

(b) Insert date

30 March 2006

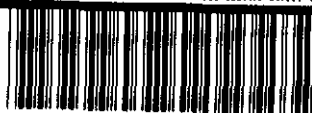
Signed 
Joint Administrators

Dated 30/03/2006

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.

Baker Tilly	
5 th Floor, Exchange House, 446 Midsummer Boulevard, Central Milton Keynes	
MK9 2EA	Tel 01908 687800
DX Number 54472	DX Exchange MILTON KEYNES



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COMPANIES HOUSE 18/04/2006
A35 *AN7AZE7Y* 305
COMPANIES HOUSE 01/04/2006

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

KINGAVON LIMITED

IN ADMINISTRATION

ADMINISTRATORS' REPORT FOR THE MEETING OF CREDITORS

TO BE HELD ON 18 APRIL 2006

KINGAVON LIMITED

**ADMINISTRATORS' REPORT FOR THE MEETING OF CREDITORS TO
BE HELD ON 18 APRIL 2006**

**PURSUANT TO PARAGRAPH 50 OF SCHEDULE B1 OF THE
INSOLVENCY ACT 1986**

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KINGAVON LIMITED
IN ADMINISTRATION

1. Conflict of interest and fee disclosure

Prior to my appointment as Administrator my firm undertook instructions from one of the Company's Bankers to carry out a business review. This investigation did not involve any role in the ongoing management of the business and did not create a conflict.

The Administration Order was made in the High Court of Justice, Chancery Division Birmingham District Registry on 13 March 2006. This followed an application presented by the Qualifying Floating Chargeholder.

The basis of my remuneration for dealing with post administration matters shall be fixed by reference to time properly incurred and recorded by me and my staff in dealing with matters arising in the administration.

It will be a matter for the creditors' committee, if appointed, to determine the level of my remuneration. If no creditors' committee is formed creditors will be requested to consider a resolution to fix the level of my fees at the meeting of creditors convened pursuant to Paragraph 53 of Schedule B1 of the Insolvency Act 1986.

2. Appointment of the Joint Administrators

On 13 March 2006 my partner Nigel Millar and I were appointed Joint Administrators of Kingavon Limited. The purpose of the Administration Order was:-

- The survival of the Company and the whole or any part of its undertaking as a going concern;
- A more advantageous realisation of the company's assets than would be effected on a winding up; or failing this
- Realising property in order to make a distribution to either the secured or preferential creditors

3. Statutory Information

The company was incorporated on 16 August 1977 (company registration No. 01325578).

The company's trading and registered address was Unit 1, Celcius Centre, 53-57 Knightsdale Road, Ipswich, Suffolk, IP1 4JQ.

According to the company's records and files at Companies House, the directors have been as follows:-

Director	Date Appointed	Date Resigned
Anthony James Harmer	pre 10/09/1990	
Roger Holliday	01/04/2002	
Thomas George Munro	pre 10/09/1990	
Anthony Michael Bretherton	17/04/1997	15/08/2000
Phillip Neil List	17/04/1997	19/02/1999
Leslie Bryan Marsh	pre 10/09/1990	31/10/1998
John Derek Stables	08/05/1997	02/05/2001
Maria Van De Kar	pre 10/09/1990	31/12/1998
Walter Van Oekel	pre 10/09/1990	17/04/1997
Charles Robert Welch	04/09/2000	31/12/2000
Peter Clive Whiley	24/02/1999	15/08/2000

Company Secretary

Anthony James Harmer	pre 10/09/1990
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Authorised and issue of Share Capital

The share holding of the company is allocated as follows:-

	Ordinary shares of £0.01 each
Shareholder	
Worldwide Imports Limited	39,405,451
	Redeemable Preference of £1.00 each
Worldwide Imports Limited	120,000

4. Business History

The Company was primarily involved in the import of electrical and other consumer goods primarily from China into the UK.

It dealt with two distinct product lines

- Household and general electrical goods
- General car accessories/styling

The car accessories business was sold in September 2005.

The company at the date of my appointment employed 20 staff although in previous years this had been significantly higher. It traded from leasehold premises in Ipswich.

The last audited accounts, covering the year to 31 December 2004 show the Company made a loss before tax of £313,000 on a turnover of £12.9 million. We understand that the Company continued to make losses after this date, which in the five months to 31 May 2005 amounted to a further £592,000.

The Company moved to its current premises in January 2006, having received a substantial payment to vacate its former leasehold premises, which were being redeveloped. The circumstances of this and any related transactions will be investigated.

5. Circumstances giving rise to the making of the Administration Order

The company reached a stage where it could no longer meet its debts as and when they fell due. In particular, it was unable to fund payments due on the stock ordered to cover its delivery commitments, and by the beginning of March 2006 the directors were uncertain whether there would be sufficient headroom within the existing bank facilities to cover wages payments.

I was approached by the company's directors to advise on the steps that should be taken now that it was believed the company was insolvent.

I formed the view that there was potentially value in the goodwill of the business, which might have been realised in the event that the business could be sold as a going concern, and that Administration may be an appropriate process to help achieve this.

6. Financial Position of the company at the date of the Administration Order

I have not been supplied with a statement of affairs from the directors, at present.

Attached at Appendix 4 is a summary of a draft statement of affairs that has been based on the information I have obtained since my appointment.

I also attach a list of names and addresses of the company's creditors.

7. Events after the date of the Administration Order

All of the company's assets were placed on open cover insurance.

Instructions were given to Bache Treharne to produce an inventory and valuation of all assets owned by the company.

Shoosmiths Solicitors were instructed to provide general legal advice and to assist with the sale of the company's assets.

8. Realisation of Assets

Having reviewed the situation immediately after our appointment, I formed the view that it would not be possible for the Company to continue to trade as:-

- The customers were very unlikely to accept further deliveries without the benefit of the two year guarantee provided by the Company; and
- Continuing to trade would probably require a significant trading overdraft to fund the deliveries expected from the Far East. Given the previous trading losses, and the likely hostile response from customers, it was not clear that any overdraft could be repaid.

Having said this, we still believed that there was some potential value in the business as a trading entity, compared to the likely value of the assets if the stock was sold on a piecemeal basis, and an attempt made to collect the debts post closure.

An offer was received for the assets and business from Celius Investments Limited, a Company owned and controlled by some of the Directors and Investors in Kingavon Limited.

The offer was for a total of £600,000 and can be analysed as follows:-

	£
Stock	225,000
Debtors	350,000
Other Assets	25,000
Total	<u>600,000</u>

The offer included taking over all employee claims, and meeting all warranty and return claims from customers (which typically represented about 9% of turnover each year).

In my judgment the immediate acceptance of this offer subject to contract, represented the best way forward. This was for the following reasons:-

- The amount offered was higher than I could expect to realise from the piecemeal sale of the stock on the collection of debtors. This is based on the advice of professional agents in respect of the stock and other assets, and my own detailed review of the debtor book, where there were very substantial disputes and counter claims.
- It was not possible to market the business more widely, as trading could not continue for the reasons outlined above, and any disruption in the delivery schedules agreed with the main customer would have triggered substantial contractual counter claims for loss of profits.

In the time available we were able to consult with the holder of the qualifying floating charge, the party most directly effected, who confirmed its agreement to the sale taking place.

The sale completed on 17 March 2006. Of the final consideration of £600,000, some £420,000 was paid immediately, with the balance being payable by 30 June 2006.

9. Administrators time costs to date

I have incurred time costs to date totalling £19,000. My time costs are broken down as detailed in Appendix 3.

The charge rates with regards to the above are detailed below: -

Partner	£350
Manager	£160 - £245
Administrator	£50 - £120
Support Staff	£45-75

10. The Joint Administrators' Receipts and Payments Account

The Joint Administrators' receipts and payments account to 29 March 2006 shows the balance in hand £424,523.

11. Prescribed Part

To date, I have not calculated the prescribed part available to unsecured creditors.

I therefore do not propose at this stage to make an application to Court under S176A(5) of the Insolvency Act 1986 to dis-apply the provision relating to the prescribed part, on the grounds that the costs of the distribution would be disproportionate to the benefit to creditors.

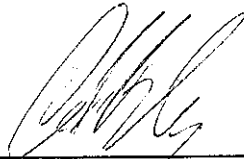
12. Creditors Meeting

I attach the notice convening a meeting of creditors, which will be held at The Holiday Inn, London Road, Ipswich, IP2 0UA at 11.00am on 18 April 2006 pursuant to paragraph 51 of Schedule B1 to the Insolvency Act 1986 (as inserted by the Enterprise Act 2002).

Proxy forms are enclosed for use by creditors who may only vote if they have supplied me with written details of their debt which they claim to be due from the company. The Proxy Forms must be with me by noon on 17 April 2006. Creditors votes are calculated according to the amount of debt at the date of the Administration Order.

13. E C Regulation

If it is considered that the E C Regulation apply, these proceedings will be main proceedings as defined in Article 3 of the E C Regulation; The company's main centre of interest is considered to be Unit 1, Celcuis Centre, 53-57 Knightsdale Road, Ipswich, Suffolk, IP1 4JQ.



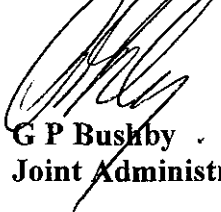
Graham Paul Bushby
Joint Administrator

**KINGAVON LIMITED IN ADMINISTRATION
STATEMENT OF THE PROPOSALS OF
GRAHAM PAUL BUSHBY AND NIGEL MILLAR
THE JOINT ADMINISTRATORS OF THE COMPANY IN ACCORDANCE
WITH PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986**

The proposals are as set out below:-

1. That the sale of the business and assets by the Joint Administrators as set out in the report be approved.
2. That the Administrators are authorised to continue to realise the Company's assets and to take any other incidental action required in order to do so, including instructing solicitors.
3. That the Administrators are authorised to carry out any necessary investigations into the affairs of the Company, and if required, instruct solicitors or other agents to assist them in doing so.
4. That the Joint Administrators are authorised to take the appropriate steps to allow for any surplus funds to be distributed to creditors. This would include either the approval of voluntary arrangement under section 1 of the Insolvency Act ("IA") 1986, petitioning for the winding up of the company by the court, or the convening of meetings of members and creditors under Section 98 of the IA 1986 to place the company into Creditors Voluntary Liquidation under Rule 2.117.
5. That the Joint Administrators are authorised to put themselves forward as nominee, supervisor or liquidator depending on the course of action taken.
6. That the Joint Administrators are authorised dissolve the company after all assets have been realised and no monies will be available to preferential or unsecured creditors under Rule 2.118.
6. Subject to any unsecured creditors agreeing to act, that a Creditors' Committee be appointed, subject to no less than three and no more than five creditors be constituted to assist the administrators in the conduct of their duties.
7. That the Joint Administrators are authorised to draw fees of £19,000 (plus disbursements and VAT) on account, in respect of time incurred and that in future they are authorised to draw fees plus disbursement and VAT based on the time properly spent by the Joint Administrators and their staff on this case.
8. That the Joint Administrators are authorised to remain in office for as long as it is appropriate to facilitate the sale of the business and realisations of the assets.

Dated: 30 March 2006


G P Bushby
Joint Administrator

The Joint Administrators act solely as agents of the company without personal liability.

G P Bushby and G E Mander were appointed Joint Administrators of the company on 13 March 2006 to manage the affairs, business and property of the company

Graham Paul Bushby is licensed to act as an Insolvency Practitioner by the Institute of Chartered Accountants in England and Wales under Registration No.8736

Kingavon Limited
(In Administration)

Joint Administrator's Abstract Of Receipts And Payments
To 30 March 2006

RECEIPTS	Total (£)
Plant & Machinery	17,494.00
Goodwill	1.00
Stock	157,500.00
Trade Debts	245,000.00
Tax Claims	1.00
Shares of Munro Importers Ltd	1.00
Books & Records	1.00
Customer Contracts	1.00
Deposits to Suppliers	1.00
Customer List	1.00
Book Debts	4,535.12
	<hr/> 424,536.12 <hr/>
PAYMENTS	
	<hr/> 0.00
Balances in Hand	<hr/> 424,536.12 <hr/>
	<hr/> 424,536.12 <hr/>

Kingavon Limited In Administration

Estimate of time spent from the date of appointment

HOURS SPENT	Partners	Managers	Administrators	Assistants	Total Hours
Administration and Planning					
- Firms Administration	1.0	2.3	0.6		3.9
- Background Information	1.0				1.0
- Appointment	1.0	12.0			13.0
- Administration		4.0	1.4	2.8	8.2
- Legal Matters	1.0	6.0			7.0
Receipts & Payments					
- Cashering	1.0	1.7	11.4		14.1
Realisation of Assets					
- Land and Property		0.6			0.6
- ROT/Third Party Creditors		3.8			3.8
- Sale of Business	3.0	22.5			25.5
Trading					
- Attendance on Site		23.0			23.0
Creditors					
- Secured Creditors		5.9			5.9
- Unsecured Creditors		6.3		7.7	14.0
- Statutory Meetings and Reports		14.2		9.0	23.2
TOTAL HOURS	8.0	102.3	13.4	19.5	143.2
TOTAL TIME COST	£2,940.00	£14,028.00	£843.00	£1,281.00	£19,092.00

Please note the some of the time shown above has been incurred on the administration but has not yet been charged *posted*

A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

Where Petition Presented or Appointment Made On or After 15 September 2003

ENGLAND AND WALES

1 Introduction

- 1.1** When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

2 The nature of administration

- 2.1** Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:

- rescuing the company as a going concern, or
- achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration,

or, if the administrator thinks neither of these objectives is reasonably practicable

- realising property in order to make a distribution to secured or preferential creditors.

3 The creditors' committee

- 3.1** The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

4 Fixing the administrator's fees

- 4.1** The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either:

- as a percentage of the value of the property which the administrator has to deal with, or
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is fixed as a percentage fix the percentage to be applied. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
- any responsibility of an exceptional kind or degree which falls on the administrator;

- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the property which the administrator has to deal with.

4.2 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

4.3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets.

In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of –

- each secured creditor of the company; or
- if the administrator has made or intends to make a distribution to preferential creditors –
 - each secured creditor of the company; and
 - preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval,

having regard to the same matters as the committee would.

Note that there is no requirement to hold a creditors' meeting in such cases unless a meeting is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company.

4.4 A resolution of creditors may be obtained by correspondence.

5 What information should be provided by the administrator?

5.1 When seeking fee approval

5.1.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on:

- the nature of the approval being sought;
- the stage during the administration of the case at which it is being sought; and
- the size and complexity of the case.

5.1.2 Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case.

5.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the

case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff:

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain:

- Any significant aspects of the case, particularly those that affect the amount of time spent.
- The reasons for subsequent changes in strategy.
- Any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make.
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement.
- Any existing agreement about fees.
- Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees.

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases.

- 5.1.4 Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by an administrator or his staff.

5.2 After fee approval

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the administrator should notify the creditors of the details of the resolution in his next report or circular to them. In all subsequent reports to creditors the administrator should specify the amount of remuneration he has drawn in accordance with the resolution. Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 5.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 5.1.4 above regarding work which has been sub-contracted out.

5.3 Expenses and disbursements

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the administrator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

6 What if a creditor is dissatisfied?

- 6.1** If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

7 What if the administrator is dissatisfied?

- 7.1** If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

8 Other matters relating to fees

- 8.1** Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.
- 8.2** If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

9. Provision of information – additional requirements

In any case where the administrator is appointed on or after 1 April 2005 he must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company.

The information which must be provided is –

- the total number of hours spent on the case by the administrator or staff assigned to the case;
- for each grade of staff, the average hourly rate at which they are charged out;
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.

Proxy (Administration)

Kingavon Limited In Administration

Name of Creditor _____

Address _____

Name of Proxy Holder

Please insert name of person (who must be 18 or over) or the Chairman of the Meeting. If you wish to provide for alternative proxy holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well

1 _____

2 _____

3 _____

Please delete words in brackets if the proxy holder is only to vote as directed i.e. he has no discretion

I appoint the above person to be my/the creditor's proxy holder at the meeting of creditors to be held on 18 April 2006, or at any adjournment of that meeting. The proxy holder is to propose or vote as instructed below (and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion).

Voting Instructions for resolutions

*Please delete as appropriate

1. For the acceptance/rejection* of the administrator's proposals as circulated

2. For the appointment of _____

of _____

representing _____

as a member of the creditors' committee

This form must be signed

Signature _____ Date _____

Name in CAPITAL LETTERS _____

Only to be completed if the creditor has not signed in person

Position with creditor or relationship to creditor or other authority for signature _____

Remember: there may be resolutions on the other side of this form