

The Insolvency Act 1986

Statement of administrator's proposals**2.17B**

Name of Company Prism Leisure Corporation plc	Company number 01522326
In the High Court of Justice [full name of court]	Court case number 3808 of 2007

(a) Insert name(s) and address(es) of administrator(s) **1 I (a) David Harry Gilbert and Martha Hanora Thompson of BDO Stoy Hayward LLP**
8 Baker Street, London, W1U 3LL

*Delete as applicable attach a copy of ~~*my~~ / 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 **(b) 8 August 2007**

Signed 

Dated **8 August 2007**

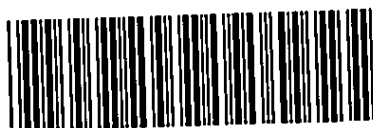
Contact details

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.

BDO Stoy Hayward LLP, 8 Baker Street, London,	
W1U 3LL, ,	
Our Ref 7/PJD/PJD03527/C15	Tel 020 7486 5888
DX Number	DX Exchange

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**

WEDNESDAY



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15/08/2007
COMPANIES HOUSE

422

Prism Leisure Corporation plc – In Administration

The Joint Administrators propose that.

- (a) they continue to realise assets in accordance with objective 3(1)(c) of the statutory purpose of the administration,
- (b) if possible they make payments to the secured creditor and preferential creditors;
- (c) if as a result of our investigations further action is warranted then they will petition to wind up the company under Section 140 of the Insolvency Act 1986 and that David Gilbert & Martha Thompson will be Joint Liquidators and will act jointly and severally,

[NB Creditors may nominate different Liquidators, but in the absence of such nomination the above named would become Joint Liquidators]

- (d) if there is no purpose in winding up the company they will arrange for the company to be dissolved,
- (e) the remuneration of the Joint Administrators is approved on the basis of the time properly spent attending to matters arising in the administration, and

[NB This will be subject to approval by the secured and preferential creditors]

- (f) the Joint Administrators be discharged from liability under the administration per Paragraph 98 of Schedule B1 of the Insolvency Act 1986, immediately upon the Joint Administrators filing their final report to creditors.



BDO Stoy Hayward LLP
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Web site www.bdo.co.uk

Private and Confidential

8 August 2007

Our Ref 1/KK/adm601/C6

Please ask for
Kirsty Keay
020 78932229

TO ALL CREDITORS AND MEMBERS

Dear Sir(s)

Prism Leisure Corporation plc - In Administration ("the company")

I refer to the appointment of Martha Hanora Thompson and myself as Joint Administrators of the company on 4 June 2007

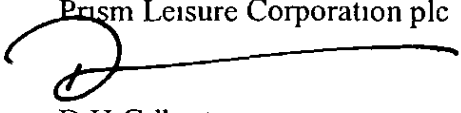
I attach a statement to creditors pursuant to Rule 2.33 of the Insolvency Rules 1986, which incorporates a statement of proposals under Paragraph 49 of Schedule B1 of the Insolvency Act 1986. Additionally I provide a report setting out the work undertaken by the Joint Administrators to date, incorporating details of my firm's policies regarding fees and disbursements and a summary recording the time spent on the Administration, together with a creditors' guide to Administrators' fees.

Please note that these proposals are being put forward later than due. Accordingly the Joint Administrators have instructed their solicitors to seek leave of the Court for an extension of time.

I do not propose to call a meeting of creditors to consider the proposals, as there will be insufficient assets to enable any distribution to unsecured creditors to be made.

Please note that the Joint Administrators act as agents of the company and without personal liability.

Yours faithfully
for and on behalf of
Prism Leisure Corporation plc


D H Gilbert
Joint Administrator
Authorised by the Insolvency Practitioners Association

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COMPANIES HOUSE

Prism Leisure Corporation plc
In Administration

Statement to Creditors pursuant to Rule
2.33 of the Insolvency Rules 1986 and
Statement of Proposals under Paragraph 49
of Schedule B1 of the Insolvency Act 1986

1/KK/adm661/C6

BDO Stoy Hayward LLP

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PRISM LEISURE CORPORATION PLC - IN ADMINISTRATION

Registered No 01522326

Registered office situated at 8 Baker Street, London, W1U 3LL

In the High Court of Justice

3808 of 2007

1 Introduction

- 1.1 This report is addressed to the creditors of Prism Leisure Corporation plc ("the company") and incorporates the Joint Administrators' proposals
- 1.2 Neither of the objectives in paragraph 3(1)(a) or (b) of Schedule B1 of the Insolvency Act 1986 can be achieved in respect of the above company (see section 5 below) and consequently we do not propose to call a meeting of creditors to consider the proposal. There will be insufficient assets to enable us to make any distribution to unsecured creditors. Under Paragraph 52 of Schedule B1 of the Insolvency Act 1986 if at least 10% of creditors require us to call a meeting they must notify us using form 2.21B (attached) by 22 August 2007. Please note that before such a meeting can be held we will require a deposit towards the cost of convening the meeting. Such deposit may be repaid subject to the approval of the other creditors. Where no creditors' meeting is held to consider the Joint Administrators' proposals, the proposals will have been deemed to be approved on 20 August 2007.
- 1.3 If a meeting of creditors is held the creditors may approve the proposals with or without modifications subject to the Joint Administrators' agreement to any such modifications. If the creditors reject the Joint Administrators' proposals a report will be sent to the High Court of Justice confirming that the creditors have rejected the proposals. The Court may then discharge the Administration and make consequential directions. Alternatively, it may adjourn the hearing or make some other Order as it thinks fit.
- 1.4 If the Joint Administrators' proposals are deemed to be approved or are agreed at a meeting of creditors the Joint Administrators will continue to control the business of the company to the extent that it has not been transferred. The Joint Administrators would at some later date arrange for the company to exit from the Administration, as agreed by the creditors. Based on the information presently available and the current situation the Joint Administrators' proposal is that the company will be placed into compulsory liquidation or dissolved.

2 Events leading up to the Appointment of the Joint Administrators

- 2.1 The Joint Administrators understand that the company was incorporated as Geoff's Records International Limited on 15 October 1980 as a wholesaler of Videos, DVDs, CDs and other types of media. In addition to that core offering, the business has subsequently moved into the wholesale of electronic items generally.

- 2 2 The company name was changed to Prism Leisure Corporation Limited on 8 August 1986 and changed its status from a private to a public limited company on 25 February 1999
- 2 3 In January 2005 the majority of the share capital of Linkwell plc, the holding company, was acquired by Vinvin Limited and Mr P Thacker became the Managing Director/Chairman of the company
- 2 4 At that time the company traded from rented premises at Hitchin & Brimsdown, Enfield
- 2 5 In June 2006 the company entered into a confidential invoice discounting agreement with Anglo Irish Asset Finance plc ("The Bank"). Clearing facilities were provided by Barclays Bank plc
- 2.6 On 31 May 2007 an application for the appointment of Joint Administrators was made by the Bank being a Qualifying Floating Charge Holder, pursuant to Paragraph 14 of Schedule B1 of the Insolvency Act 1986 On 4 June 2007, David Harry Gilbert and Martha Hanora Thompson were appointed Joint Administrators by the Bank to act joint and severally, so that all functions may be exercised by one or both of them
- 2 7 Please note that records at companies house show the company to have 13 subsidiaries These companies are not currently subject to any known insolvency proceedings.
- 2 8 Appendix 1 is a record of the names of the company's directors and company secretary together with details of their shareholdings

3 Statement of affairs and statutory information

- 3 1 The directors have not submitted a statement of affairs to us at the date of this report A draft financial statement of the company's financial position at the date of our appointment is attached at appendix 1 and has been prepared by the Joint Administrators from the company's records and information available to the Joint Administrators No audit or detailed verification work has been carried out at this time.
- 3 2 Creditors should note that the draft financial statement does not take into account the costs of the Administration The estimated to realise amounts shown in the statement reflect either actual realisations or the opinion of my instructed agents, Messrs Bache Treharne LLP.

4 Prescribed Part

- 4 1 Under the provisions of Section 176A of the Insolvency Act 1986 the Joint Administrators must state the amount of funds available to unsecured creditors in respect of the prescribed part This provision only applies where the company has granted a floating charge to a creditor after 15 September 2003

4 2 The company granted a fixed and floating charge mortgage debenture charge to the Bank on 21 June 2006

4 3 Given the above, the provision only applies in respect of assets caught under the floating charge. Unfortunately the company's net property after the costs of realisation will be less than the prescribed minimum (currently £10,000) and the cost of distributing the prescribed part would be disproportionate to the benefits. Therefore under section 176A(3) of the Insolvency Act 1986 the prescribed part provisions will not apply in this Administration.

5 Achieving the purpose of the Administration

5.1 The statutory purpose of an Administration consists of three objectives, and we now address the progress that has been made in this respect

- (a) The first objective is the rescuing the company as a going concern. It was not possible to achieve this objective due to the financial position of the company.
- (b) With regard to the second objective of 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) Realisations of assets by the Joint Administrators may be better than those achieved in winding up. However, it is unlikely that there will be funds available for distribution to unsecured creditors.
- (c) The final objective is realising property in order to make a distribution to one or more secured or preferential creditors. This objective is being pursued, with book debts of £600,056 being realised and stock of £74,074 74 being sold to date

6 Management of the company's affairs since the Joint Administrators' appointment

Initial Actions

6 1 Upon our appointment as Joint Administrators, due to the financial position of the company, it was not possible to continue trading with a view to achieving a sale of the company's business and assets as a going concern

6 2 The majority of the company's employees had been made redundant prior to our appointment. Initially some 50 staff were retained to assist the Joint Administrators, but following initial investigations that was reduced to 10 after the first week. All staff have now been made redundant.

Stock

6 3 The Joint Administrators' appointed agents, Messrs Bache Treharne LLP, carried out an immediate valuation of the stock held at both sites. In addition, Messrs Hammonds LLP, solicitors were instructed to conduct a review of the licences held by the company and its subsidiaries. The Joint Administrators also liaised

extensively with the Mechanical-Copyright Protection Society Limited ("MCPS") in order to establish whether they were able to sell the stock held and, if so, what liabilities in respect of royalties would arise as a result of such a sale

- 6.4 Following consultation with MCPS and our agents a decision was made that all stock held at the Hitchin site would be destroyed. This was due to the potential rent liability accruing in relation to the value of the stock held and was made following a valuation of the stock by the appointed agents and after consultation with the landlord. In order to satisfy the requirements of MCPS the stock was destroyed and a formal certificate of destruction will be provided to them in due course
- 6.5 After dealing with potential retention of title claims, a formal viewing day was arranged at the Enfield site for parties who had expressed an interest in the stock. An offer of £74,074.74 plus VAT was recommended for acceptance by our agents. This stock has now been collected and full payment of this amount has been made to the agent. Please note that a royalty payment will be due to MCPS in respect of the sale of stock. This is estimated to be in the region of 10% of sale proceeds but is yet to be quantified
- 6.6 Following inspection of the company's records it appeared that, at the time of the Joint Administrators' appointment, a quantity of stock was held at the premises of Panther (UK) Limited ("Panther"). Panther is a company not in common ownership or connected by shareholding but believed to be controlled by Mr P Thacker and his family. Panther have disputed the company's rights to that stock, however, on 22 June 2007 Panther entered into Administration. Our own agents have since been liaising with those agents appointed by the Administrator of Panther but to date no agreement has been reached with regard to this stock, although we are advised that it has been identified and set aside pending resolution
- 6.7 Furthermore, immediately upon our appointment it became apparent that a large amount of stock had recently been removed from the company's premises. Upon further investigation it transpired that this stock had been sold, at the company's normal sale prices, to a third party who subsequently claimed set-off against monies which they were owed by the company. This matter is still being looked at closely by the Joint Administrators along with their solicitors and MCPS. It is hoped that a resolution can be reached shortly which would see a payment to the Joint Administrators and the return of some of the third party stock
- 6.8 In addition to the above, a number of retention of title claims have been received which have been considered and dealt with as appropriate. There are likely to be further retention of title claims considered if stock is returned as in 6.7 above.

Intellectual Property

- 6 9 The licence agreements were further reviewed in order to establish any value that they may hold. It became apparent that although there were seemingly large numbers of licence agreements and titles held, many of these had been allowed to lapse. It also transpired that not all of these agreements vested in the company and that a number were held in wholly owned subsidiary companies, namely Eastbrand Limited ("Eastbrand"), Prism Film Limited ("Film"), and Odyssey Video Holdings Limited ("Odyssey Holdings").
- 6 10 Following the comprehensive review of the licences held, a schedule was produced which set out the various licences and identified which company they were held by. A sales pack was then prepared and a non-disclosure agreement was sent by email to all parties who had expressed an interest in purchasing the licence agreements.
- 6 11 Thirty-four parties subsequently returned a signed non-disclosure agreement and those parties were then sent a full sales pack. The pack offered for sale the various rights, licences and titles vesting in the company, as well as 100% of the issued share capital held in each of Eastbrand, Film and Odyssey Holdings. As at the date of this report a sale of the assets has completed and our solicitors are in funds.

Debtors

- 6 12 As at the date of appointment the company's sales ledger showed total debtors of £10,951,168.
- 6 13 It soon became apparent, however, that there were serious anomalies in the company's accounting records. In an attempt to discover the true debtor position the Joint Administrators contacted the purported largest customers in order to request that they reconcile their own accounts with those of the company. The results of this, along with the discovery that substantial amounts of credit notes had not been declared, have led to a position where only a small percentage of the debtor ledger is likely to be collectable.
- 6.14 The debtor collection exercise has continued to be carried out by the Joint Administrators' staff and solicitors appointed by the Bank. To date collections total £600,056.

Other Assets

- 6 15 In addition to the company's shareholdings as above, the company also owned 100% of the shares in Burns & Porter Associates Limited ("B&P"). Difficulty has, however, been experienced retrieving the books and records of this company from the bookkeepers. This matter has now been passed to our solicitors. In the meantime, due to the absence of any records, the assets and liabilities of the company are currently unknown.

Creditors' Claims

- 6 16 At the date of appointment, the company's first secured creditor, Barclays Bank plc ("Barclays"), was owed approximately £2,944 Barclays hold a fixed and floating charge dated 17 October 2001 It is anticipated that this amount will be paid in full
- 6 17 As already mentioned the Bank holds a fixed and floating charge and as shown on the draft financial statement at Appendix 1, you will note that upon realisation of the company's assets, the Bank, being the second secured creditor, will suffer a shortfall in respect of its lending
- 6 18 The preferential creditors' claims are estimated to be in the order of £9,000 in respect of the company's employees unpaid wages and holiday pay Initial indications are that payment in full will be made to this class of creditor.
- 6 19 The draft financial statement indicates unsecured trade creditor claims of £8,658,437 It is unlikely that any distribution will be made to unsecured creditors

7 EC Regulations on Insolvency Proceedings

We are required under the Insolvency Rules 1986 to state whether and if so the extent to which the above regulations apply to this Administration In this particular case the EC Regulation will apply in respect of this Administration and these proceedings will be main proceedings as provided by Article 3 of the aforesaid Regulation

8 Joint Administrators' Remuneration

- 8 1 Kindly note that under the terms of the Insolvency Rules 1986 the Joint Administrators are obliged to fix their remuneration in accordance with Rule 2 106(2) of the Insolvency Rules 1986 This permits remuneration to be fixed either as a percentage of the value of the property with which the Joint Administrators have to deal or alternatively by reference to the time the Joint Administrators and their staff have spent attending to matters in this Administration
- 8 2 The Joint Administrators will be seeking the subsequent approval of the secured and preferential creditors in respect of our remuneration, pursuant to Rule 2 106(5A) of the Insolvency Rules 1986 Attached at Appendix 3 is a schedule that summarises the time that has been spent in administering this Administration up to the date of this report This shows a total of 1,167 80 hours at an average charge out rate of £246 49
- 8 3 For your guidance, we attach a Creditors Guide to Administrators Fees together with a document that outlines the policy of BDO Stoy Hayward LLP in respect of fees and disbursements

9 Possible outcomes for the company and Creditors

- 9 1 The Insolvency Act 1986 and Insolvency Rules 1986 provide a variety of options regarding the possible exit routes for the company from the Administration, being

primarily a company voluntary arrangement, liquidation or dissolution of the company. It is the Joint Administrators' recommendation and proposal, as detailed below, that once realisations are sufficiently completed the company should move from Administration into compulsory liquidation and that David Gilbert and Martha Thompson be appointed Joint Liquidators or arrange for the company to be dissolved. The rationale for this decision will depend on whether further investigations into the company's affairs are warranted.

9.2 Based on current information, there is unlikely to be a dividend to unsecured creditors.

10 Statement of proposals under Paragraph 49 of Schedule B1 of the Insolvency Act 1986

In accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986 the Joint Administrators make the following proposals for achieving the purpose of the Administration. In the absence of a creditors meeting, these proposals will be deemed to be approved on 14 August 2007.

Formal Proposals - the Joint Administrators propose that:

- (a) they continue to realise assets in accordance with objective 3(1)(c) of the statutory purpose of the Administration,
- (b) if possible they make payments to the secured creditor and preferential creditors,
- (c) If as a result of our investigations further action is warranted then they will petition to wind up the company under Section 140 of the Insolvency Act 1986 and that David Gilbert & Martha Thompson will be Joint Liquidators and will act jointly and severally,

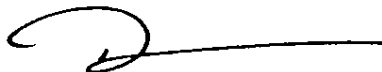
[NB Creditors may nominate different Liquidators, but in the absence of such nomination the above named would become Joint Liquidators.]

- (d) if there is no purpose in winding up the company they will arrange for the company to be dissolved,
- (e) the remuneration of the Joint Administrators is approved on the basis of the time properly spent attending to matters arising in the Administration, and

[NB This will be subject to approval by the secured and preferential creditors.]

- (f) the Joint Administrators be discharged from liability under the Administration per Paragraph 98 of Schedule B1 of the Insolvency Act 1986, immediately upon the Joint Administrators filing their final report to creditors.

Dated 8 August 2007



David Harry Gilbert
Joint Administrator

1/KK/adm681/C6

Prism Leisure Corporation plc
Draft Financial Statement and Statutory Information

Prism Leisure Corporation Plc - In Administration

Draft Financial Statement as at 4 June 2007

	Book value		Estimated to Realise	
	£	£	£	£
Assets Subject to Fixed Charge				
Debtors (subject to an Invoice Discounting Agreement)		9,412,650		1,000,000
Old sales ledger		1,117,242		0
Legal ledger		421,269		0
Less due to the Anglo Irish Asset Finance		(7,469,713)		(7,469,713)
Surplus/(Deficit) to Anglo Irish Asset Finance c/f		<u>3,481,448</u>		<u>(6,469,713)</u>
Investments				
Burns & Porter Limited		100,962		Unknown
Eastbrand Limited		43,565		Unknown
Prism Films Limited		1		Unknown
Odyssey Video Holdings Limited		200		Unknown
Intellectual Property		Unknown		Unknown
Equipment subject to finance agreements		Unknown		Unknown
Less due to finance companies		Unknown		Unknown
Assets Available for First Fixed Charge Holder		<u>3,626,176</u>		<u>0</u>
Barclays Bank plc		<u>(2,994)</u>		<u>(2,994)</u>
Assets Available for Second Fixed Charge Holder		3,623,182		(2,994)
Anglo Irish Asset Finance		3,481,448		(6,469,713)
Surplus/(Deficit) to Anglo Irish Asset Finance c/f		<u><u>7,104,630</u></u>		<u><u>(6,472,707)</u></u>
Assets Subject to Floating Charge				
Stock	2,900,000		74,074	
Chattel assets	Unknown		40,000	
		<u>2,900,000</u>		<u>114,074</u>
Assets Available for Preferential Creditors		<u><u>2,900,000</u></u>		<u><u>114,074</u></u>
Preferential Creditors				(9,000)
Net property				105,074
Prescribed Part				(24,015)
Assets available for Floating Charge Holder				81,059
Anglo Irish Asset Finance b/f				(6,472,707)
Total Floating Charge Holder Surplus				<u>(6,391,648)</u>
Estimated Prescribed Part available for unsecured creditors				24,015
Less: Amounts Owed to Unsecured Creditors				
Trade creditors			(8,658,437)	
HMRC Inland Revenue			(1,150,000)	
HMRC Customs & Excise			(500,000)	
Landlords			(184,851)	
Inter-company loans			Unknown	
Employees Pay in Lieu of Notice & redundancy pay			(42,500)	
			<u>(10,535,788)</u>	
Estimated Deficiency as Regards Unsecured Creditors				(16,903,421)
Issued and Called Up Share Capital				
Linkwill plc			(871,558)	
Ivor Warren Young c/o Linkwill plc			<u>(1)</u>	
				(871,559)
Estimated Total Deficiency as Regards Members				<u><u>(17,774,980)</u></u>

**Prism Leisure Corporation plc
In Administration**

Statutory Information

Company Number:	01522326
Date of Incorporation:	15/10/1980
Address of Registered Office:	8 Baker Street, London, W1U 3LL Formerly Unit 1 Dencora Business Centre, Dundee Way, Enfield, Middlesex EN3 7SX
Directors:	David Clipsham Pankaj Thacker
Company Secretary:	Bharat Mistry
Nominal Share Capital:	£871,559 - divided into 8,715,590 ordinary shares of £0.10 each
Registered Shareholders:	No of £0.10 ordinary shares held (as per information available from Companies House)

Linkwell Plc	8,715,589
Ivor Warren Young	1
	<u>8,715,590</u>

Trading Results:

Y/E	Turnover £	Gross Profit £	Net Profit (after tax) £	Directors' remuneration £	Balance on P & L A/c £
31 March 2006 – Audited Accounts	42,580,000	13,363,000	(1,847,000)	224,000	3,366,000
31 March 2005 – Audited Account	64,077,000	21,024,000	(3,341,000)	869,000	5,213,000
31 March 2004 – Audited Accounts	97,824,000	28,599,000	3,005,000	639,000	8,554,000

Prism Leisure Corporation Plc
Summary of the Joint Administrators' Receipts and Payments

Prism Leisure Corporation plc - In Administration

Joint Administrators' Abstract of Receipts and Payments to 7 August 2007

Receipts	£
Book debts	600,056 73
Interest	138 66
Sundry refunds	3,292 97
Petty cash	61 52
Output VAT	19 12
	<u>603,569 00</u>
Payments	
Wages	20,534 79
Rent	22,375 00
Consultancy	2,784 00
General undertakings	3,018 14
Burns & Porter Associates Limited	3,396 28
Employee expenses	379 55
Re-direction of mail	583 58
Sundry expenses	75 20
Agents' fees & expenses	13,650 34
Distribution to secured creditor	307,997 91
Input VAT	6,988 57
	<u>381,783 36</u>
Balance in Hand	<u>221,785 64</u>
	<u>603,569 00</u>

D H Gilbert and M Thompson
Joint Administrators
7 August 2007

Prism Leisure Corporation Plc
Schedule of the Joint Administrators' Time Costs and A Creditors Guide to
Administrators' Fees

Prism Leisure Corporation Plc - In Administration

Summary of Time Charged and Rates Applicable for the Period 4 June 2007 to 20 July 2007

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR EXECUTIVE		EXECUTIVE		OTHER STAFF		TOTAL	
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £
A Pre Appointment Matters														
B Steps on Appointment														
C Planning and Strategy			8 50	3,113 50										
D General Administration			18 00	6,654 50	23 00	6,616 00	33 25	7,069 50	57 55	9,601 35	26 60	2,119 60	158 40	32,060 95
E Assets Realisation/Dealing	7 75	2,975 75	202 00	74,355 00	22 00	6,318 00	10 50	2,305 00	110 10	14,276 85	35 00	2,835 00	387 35	103,065 60
F Trading Related Matters	4 00	2,244 00			12 00	3,372 00	60 50	12,781 00	47 25	6,286 00	28 00	2,128 00	151 75	26,811 00
G Employee Matters									8 25	368 50			8 25	568 50
H Creditor Claims			5 50	2,073 50									5 50	2,073 50
I Reporting			5 00	1,795 00	6 50	1,937 00			2 50	202 50			14 00	3,934 50
K Work	68 00	35,212 00	106 50	38,301 50	7 00	1,967 00	74 00	15,466 00	104 50	16,137 00	53 55	4,174 80	413 55	111,258 30
	79 75	40,431 75	345 50	126,293 00	84 00	24,003 50	178 25	37,621 50	337 15	48,248 20	143 15	11,257 40	1,167 80	287,855 35

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 a resolution of the creditors shall be taken as passed if, and only if, passed with 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

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, and professional guidance has been provided setting out a minimum of 6 category headings under which the work done by the officeholder and his staff should be analysed. As a firm BDO Stoy Hayward LLP operates a computerised time recording system which analyses work done under the following categories –

- Pre Appointment Matters
- Steps upon Appointment
- Planning and Strategy
- General Administration
- Asset Realisation/Management

- Trading Related Matters
- Employee Matters
- Creditor Claims
- Reporting
- Distribution and Closure
- Other Issues

Professional guidance suggests the following categories 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 sub-contractors, 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.



BDO Stoy Hayward

Prism Leisure Corporation plc - In Administration

In accordance with best practice I provide below details of policies of BDO Stoy Hayward LLP in respect of fees and expenses for work in relation to the above insolvency

The current charge out rates per hour of staff within my firm who may be involved in working on the insolvency, follows This in no way implies that staff at all such grades will work on the case

GRADE	£
Partner1	529
Partner2	476
Director	359
Manager	331
Assistant Manager	281
Senior Executive	247
Executive	168-209
Junior Executive	153
Trainee	121
Support staff/Secretary	76

The rates charged by BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL are reviewed in December and July each year and are adjusted to take account of inflation and the firm's overheads.

Time spent on casework is recorded directly to the relevant case using a computerised time recording system and the nature of the work undertaken is recorded at that time. Units of time can be as small as 3 minutes BDO Stoy Hayward LLP records work in respect of insolvency work under the following categories -

- Pre Appointment
- Steps upon Appointment
- Planning and Strategy
- General Administration
- Asset Realisation/Management
- Trading Related Matters
- Employee Matters
- Creditor Claims
- Reporting
- Distribution and Closure
- Other Issues

Under each of the above categories the work is recorded in greater detail in sub categories Please note that the 11 categories provide greater detail than the six categories recommended by the Recognised Professional Bodies who are responsible for licensing and monitoring insolvency practitioners



BDO Stoy Hayward

Where an officeholder's remuneration is approved on a time cost basis the time invoiced to the case will be subject to VAT at the prevailing rate

Where remuneration has been approved on a time costs basis a periodic report will be provided to any committee appointed by the creditors or in the absence of a committee to the creditors. The report will provide a breakdown of the remuneration drawn and will enable the recipients to see the average rates of such costs.

Other Costs

Where expenses are incurred in respect of the insolvent estate they will be recharged. Such expenses can be divided into two categories

Category 1

This heading covers expenses where BDO Stoy Hayward LLP has met a specific cost in respect of the insolvent estate where payment has been made to a third party. Such expenses may include items such as advertising, couriers, travel (by public transport), searches at Companies House, land registry searches, fees in respect of swearing legal documents, external printing costs etc. In each case the recharge will be reimbursement of a specific expense incurred

A further disbursement under this heading is the cost of travel where staff use either their own vehicles or company cars in travelling connected with the insolvency. In these cases a charge of 40p per mile is raised which is in line with the Inland Revenue Approved Mileage Rates (median – less than 10,000 miles per annum) which is the amount the firm pays to staff

Where applicable, disbursements will be subject to VAT at the prevailing rate.

Category 2

Additionally some firms recharge expenses for example postage, stationery, photocopying charges, telephone and fax costs, which cannot economically be recorded in respect of a each specific case. Such expenses, which are apportioned to cases, require the approval of the creditors, before they can be drawn, and these are known as category 2 disbursements. The policy of BDO Stoy Hayward LLP, effective from 1 July 2003, is not to recharge any expense which is not a specific cost to the case, therefore there will be no category 2 disbursements charged. Category 2 disbursements, because they are imprecise, require approval by the creditors before they can be drawn

BDO Stoy Hayward LLP
27 July 2007

Prism Leisure Corporation Plc
Joint Administrators' Proposals

Prism Leisure Corporation Plc
Form 2 21B – Creditors' Request for a Meeting

Creditor's request for a meeting

Name of Company
Prism Leisure Corporation plc

Company number
01522326

In the
High Court of Justice

full name of court]

Court case number
3808 of 2007

(a) Insert full name and
address of the creditor making
the request

I (a) _____

(b) Insert full name and
address of registered office of
the company

request a meeting of the creditors of (b) _____

(c) Insert amount of claim

My claim in the administration is (c) _____

(d) Insert full name(s) and
address(es) of creditors
concurring with the request (if
any) and their claims in the
administration if the
requesting creditor's claim is
below the required 10%

(d) _____

concur with the above request, and I attach copies of their written confirmation of concurrence

(e) Insert details of the
purpose of the meeting

The purpose of the meeting is (e) _____

Signed _____

Dated _____

Prism Leisure Corporation Plc
Proof of Debt Form

PROOF OF DEBT

**In The High Court of Justice
Chancery Division
Companies Court**

No 3808 of 2007

**Prism Leisure Corporation plc
- In Administration -**

Date of Administration 4 June 2007

- 1 Name of creditor
- 2 Address of creditor
- 3 Total claim including VAT and interest as at
the date of the appointment of administrators £
(see overleaf)
- 4 Details of documents by which debt can be
substantiated
- 5 Amount of any interest included in claim £
- 6 Is the whole or part of the debt preferential? Yes / No
If so, state amount, and details £
See notes overleaf
- 7 Particulars of how and when debt incurred
- 8 Particulars and value of any security held and
the date it was given
- 9 Signature of creditor
or other authorised person . . .

Name in BLOCK LETTERS ..

Creditor's reference . . .
- 10 Position or Relationship with Creditor . . .

For Use of Administrator Only

11 Admitted to vote for £

Date

Joint Administrator

12 Admitted preferentially
for £

Date

Joint Administrator

Admitted non-preferentially
for £

Date

Joint Administrator

Guidance Notes re Preferential Debts:

The categories of preferential debts under S 386(1) of the Insolvency Act 1986 are as follows .

- pension scheme contributions
- remuneration etc of employees
- Levies on Coal & Steel Productions

VAT Bad Debt Relief

The provisions of the Finance Act, 1990, came into effect on 26 July, 1990, and introduced changes in the way that VAT on Bad Debts is recovered

Your claim overleaf must be quoted inclusive of VAT. You may claim relief on your VAT return when the debt is at least six months old and has been written off. Any dividend you receive in respect of this claim will include payment in respect of the VAT element of your debt and you will be responsible for declaring such VAT to HM Customs & Excise