Rule 2 47

Form 2 24B

The Insolvency Act 1986

Administrator's progress report

2.24B

Name of Company	Company Number
ChoicesUK plc	01870439

In the	Court case number
High Court, Chancery Division, Companies Court (full name of court)	6127 of 2007

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

We, Mark Nicholas Cropper, Colin Michael Trevethyn Haig and Michael John Andrew Jervis of PricewaterhouseCoopers LLP, 12 Plumtree Court, London EC4A 4HT, and Stephen Mark Oldfield of PricewaterhouseCoopers LLP, Abacus House, Castle Park, Cambridge CB30 0AN, Administrators of the above company, attach a progress report

(b) Insert dates

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

from (b) 22 August 2007 to (b) 6 August 2008

Signed ____________________
Joint Administrator

Dated 6 August 2008

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

Jennifer Hills	
PricewaterhouseCoopers LLP, 12 Plumtree Court, London EC4A 4HT	
	Tel 020 7212 6092
DX Number	DX Exchange

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

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PRICEWATERHOUSECOOPERS

ChoicesUK plc – in Administration
High Court of Justice, Chancery Division, Companies Court
Case number 6127 of 2007

Joint Administrators' final progress report

7 August 2008

1. Joint Administrators' final progress report

Introduction

The Joint Administrators ("the Administrators") previously reported on 5 March 2008 and are pleased to provide their final progress report on the Administration of ChoicesUK plc ("the Company") pursuant to Rules 2 47 and 2 110 of the Insolvency Rules 1986 ("IR86")

The Administrators are required to provide certain statutory information *pursuant to Rule 2 47(1)(a) to (d) IR86, which is shown in Section 2 to this* report The Administrators are also required to provide a summary of their proposals, which is shown at Section 3

Details of the steps taken during the Administration, assets still to be realised and the outcome of the Administration are set out below

Steps taken during the Administration

The Company, which was formerly named Home Entertainment Corporation plc, traded as a distributor and retailer of packaged entertainment DVDs, videos, CDs, computer games, hardware and software

The distribution business was carried out through the 'Direct' and 'Local' divisions of the business, with the 'Retail' division comprising of a network of approximately 170 stores as at the date of the Administrators' appointment

The business employed around 1,700 staff across the three divisions, most of which were part-time and worked in the Retail division stores

Throughout 2006 and 2007, the Retail division suffered from a general decline in the DVD rental market, from the effects of piracy and from supermarket competion

Credit insurers had reduced the credit limits of some of the key suppliers as a result of the downturn in the market, which had an adverse impact on purchasing and on working capital requirements

During the same period, liquidity was also affected by certain high cash cost activities being undertaken, which had varying degrees of success

In May 2007, the Company carried out a reorganisation of its senior management team to facilitate a restructuring programme This included reducing overheads though the closure and active marketing of the Company's loss-making and poorer-performing stores

Whilst the reorganisation resulted in some improvement in trading performance, in May 2007, the directors issued a profit warning for the period to the end of July 2007

The Company worked with its professional advisors to explore ways of restructuring or selling the business but it was unable to present offers for the business which were acceptable to its key stakeholders

With losses continuing, the directors decided that they had no alternative other than to appoint Administrators to the Company Accordingly, MN Cropper, CMT Haig, MJA Jervis and SM Oldfield were appointed as Joint Administrators on 22 August 2007

Trading activities and sale of business and assets

Creditors will recall from the Administrators' proposals dated 16 October 2007 that upon their appointment, the Administrators decided that the most appropriate strategy was to continue to trade the business whilst seeking a sale of some or all of it as a going concern

Whilst the business was being marketed for sale, 28 loss-making stores were closed on 29 August 2007, regrettably resulting in 205 redundancies A further 34 head office personnel were also made redundant at this time

On 5 September 2007, the Administrators successfully completed a sale of the business and assets of the Local and Direct divisions to a subsidiary company of The Webb Group Limited ("Webb") This sale realised £3 million on completion and secured the employment of around 300 staff under the Transfer of Undertakings (Protection of Employment) Regulations 1981

The Administrators continued to trade the Retail divison and on 14 September 2007, a sale of the business and assets of 59 stores was completed to Blockbuster GB Limited ("Blockbuster") for £2 3 million, 450 employees were transferred to Blockbuster as a result of the sale £1 5 million was received on completion of the sale, with the balance of £800,000 being held in escrow pending the successful assignment of the leases of the stores

A number of parties were approached in order to identify prospective purchasers for the remaining stores, however, no parties were interested in purchasing the portfolio as a whole In the absence of a buyer, 76 of the remaining stores were closed in the week commencing 24 September 2007

Four stores remained open, and traded in the short term in order to secure premiums receivable from the assignment of the leases

The Administrators sold the Company's remaining stock to Sendit com Limited ("Sendit") on 25 September 2007 for £336,242, plus VAT

The final store ceased trading on 6 November 2007 and Sendit uplifted the stock shortly thereafter

Progress since the Administrators' progress report, dated 5 March 2008

I am pleased to report that the Company's secured creditors (LloydsTSB Bank plc and LloydsTSB Commercial Finance Ltd ("LTSBCF")) have been fully repaid and it appears a dividend will be available for other creditors

It is currently projected that, as a result of our progress (as set out in this report), a surplus of up to around £800k may be available for unsecured creditors The final amount of the dividend will be subject to settlement of the remaining costs of the Administration, as well as the costs of a liquidation, together with the level at which the creditors' claims are agreed

Progress on the material aspects of the Administration is set out below

- **Sale of the business**

I am pleased to report that following the sales of the business and assets of the Company's Local and Direct divisions to Webb and of part of the retail business to Blockbuster, together with the stock sale substantially all trading matters have now been resolved

- **Contractual liabilities between the Company and Webb**

The position in respect of the sale to Webb is close to being finalised and will include the agreement of a number of contractual liabilities outstanding between the Company and Webb We anticipate that the account with Webb will be finally agreed and settled in August

- **Debtors**

The Company's debtor ledger totalled £12 4 million as at the date of the Administrators' appointment The Company had entered into an invoice discounting facility with LTSBCF and had subsequently drawn an amount of £7 6 million against the ledger

Debtor collections have allowed LTSBCF to be repaid in full, subsequent to which the remaining debts have been reassigned to the Company

Of the remaining debts £743,076 has been collected to date and the Administrators consider that a further £20k-30k may be recoverable

- **Property**

Following the closure of the stores not transferred to Blockbuster, 16 store leases have been assigned to new owners for premiums totalling £1 25m Two leases are still to be assigned to Blockbuster

Of the remaining closed stores 45 lease surrenders are still to be agreed

The lease on one other store is in the process of being assigned and, in the meantime, the Company is not incurring any liability for the rent on this store

- **Retention of title ("ROT")**

The outcome on ROT claims is close to being finalised The Administrators have been liaising with the Company's suppliers in order to determine the validity and quantum of its ROT liabilities In total, out of £3 7m of ROT claims received in the Administration, some £2 8m have been settled of which the Company has paid £1 3m

- **Non-domestic rates**

Following the High Court decision in Trident Fashions plc, which ruled that business rates in post Enterprise Act Administrations are an expense of the Administration, the Administrators instructed a specialist agent, Consultiam Property Limited (trading as CAPA), to calculate the Company's post-appointment non-domestic rates liability Efforts to agree the Administrators' liability for rates continue

- **Rates refunds and rebates**

The Company has received rates refunds and rebates (arising from the recalculation of rates liabilities) of £205,867 The Administrators expect further small sums to be received from this source, however, the exact value of such refunds and rebates is not yet known

Claims

As mentioned above, the secured creditors have now been fully repaid and it appears a dividend will be available for unsecured creditors

Any creditor who has not submitted their claim should do so as soon as possible

Receipts and payments account

An summary of receipts and payments for the period from 22 August 2007 to 28 July 2008 is set out in section 4 to this report

Receipts since my last progress report, dated 5 March 2008, include -

- Book debt collections of £563,076,
- Reimbursement of costs from purchaser of £402,839,
- Consideration for the sales of business and assets of £361,027,
- Trading sales of £195,487,
- Cash at bank of £227,303, and
- Premiums realised from the surrender and assignment of leases of £174,938,

Payments since our last progress report, dated 5 March 2008, include -

- Employee wages and related expenses of £493,711,
- Rent and related property costs of £126,694,
- Office holders' fees and disbursements of £307,597,
- Net third party funds of £226,080, and
- Purchases on behalf of third parties of £103,180

The receipts and payments account does not show the collections in respect of the pre-Administration debtor ledger and the subsequent recovery by LTSBCF of £7 6 million in this regard as these were assets owned by LTSBCF, rather than by the Company

Administrators' remuneration

On 19 December 2007, the secured creditors resolved that the Administrators' fees be fixed by reference to time costs and that the Joint Administrators be authorised to draw such remuneration from time to time

Once the secured creditors had been paid in full, the Administrators were required to seek the agreement of the unsecured creditors in order to draw their remaining fees in the Administration On 29 July 2008 the

Company's unsecured creditors resolved that the Administrators' fees be fixed by reference to time costs and that the Joint Administrators be authorised to draw such remuneration from time to time

To date, the Administrators have drawn remuneration and disbursements totalling £1,500,000 plus VAT and disbursements on account of their costs

Should you require a further copy of the time costs information which supported the Administrators' recent request for unsecured creditors to approve their fees, please do not hesitate to contact us

Exit route from Administration

In accordance with the proposals agreed by creditors, the Company will now enter into creditors' voluntary liquidation ("CVL") CVL is considered by the Joint Administrators to be the most appropriate exit route from Administration

The assets to be dealt with in the CVL comprise cash currently held in the Administration bank account along with the remaining debtor balances and potential refunds as mentioned above

Future reports to creditors will be distributed by the Joint Liquidators

Discharge

The Administrators have sought approval from the creditors that they shall be discharged from liability pursuant to Paragraph 98(1) of Schedule B1 to the Insolvency Act 1986 in respect of any action of theirs as Administrators with effect from the time they cease to act as Administrators of the Company

Contact details

Should you have any queries, please do not hesitate to contact my colleague, Jennifer Hills, on 020 7212 6092

Colin Haig.

CMT Haig
Joint Adminstrator
ChoicesUK plc

MN Cropper, CMT Haig, SM Oldfield and MJA Jervis were appointed as Joint Administrators of ChoicesUK plc on 22 August 2007, to manage its affairs, business and property as its agents and without personal liability MN Cropper, CMT Haig, SM Oldfield and MJA Jervis are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales

2. Statutory and Other Information

Court details for the Administration	High Court of Justice, Chancery Division, Companies Court Case number 6127 of 2007
Full name:	ChoicesUK plc (formerly Home Entertainment Corporation plc)
Trading name	Choices, ChoicesUK, Choices Video
Registered number:	01870439
Registered address:	PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT
Company directors (as at date of Administration)	Frederick Michael Riding (resigned 24 August 2007), Anthony Skitt (resigned 5 October 2007), Richard Whalley (resigned 3 October 2007), Christopher John White (resigned 21 September 2007)
Company secretary:	John Malcolm Sealey
Shareholdings held by the directors and secretary:	None
Date of the Administration appointment	22 August 2007
Administrators' names and addresses:	Mark Nicholas Cropper, Colin Michael Trevethyn Haig and Michael John Andrew Jervis of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT, and Stephen Mark Oldfield of PricewaterhouseCoopers LLP, Abacus House, Castle Park, Cambridge CB30 0AN
Appointor's / applicant's name and address:	The Company's directors of the former registered address at Southgate House, Southgate Way, Orton Southgate, Peterborough, Cambridgeshire PE2 6YG
Objective being pursued by the Administrators:	(b) 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)
Division of the Administrators' responsibilities	Pursuant to paragraph 100(2) of Schedule B1 to the Insolvency Act 1986 all or any of the functions to be exercised by the persons appointed as administrators may be done by all or any one or more of the administrators or any of the persons for the time being holding that office
Proposed end of the Administration:	Creditors Voluntary Liquidation
Estimated dividend for unsecured creditors:	Up to around £800k
Estimated values of the prescribed part and the company's net property	N/A
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86	No
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000)	The European Regulation on Insolvency Proceedings applies to this Administration and the proceedings are main proceedings

3. Summary of the Joint Administrators' proposals

The Administrators made the following proposals for achieving the purpose of administration

i) The Administrators will continue to manage and finance the Company's business, affairs and property from trading revenues and asset realisations in such manner as they consider expedient with a view to 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)

ii) The Administrators may investigate and, if appropriate, pursue any claims that the Company may have under the Companies Act 1985 or IA86 or otherwise In addition, the Administrators shall do all such other things and generally exercise all their powers as Administrators as they in their discretion consider desirable in order to achieve the purpose of the Administration or to protect and preserve the assets of the Company or to maximise their realisations or for any other purpose incidental to these proposals

iii) If the Administrators think that funds will become available for unsecured creditors, the Administrators may at their discretion establish in principle the claims of unsecured creditors for adjudication by a subsequent liquidator and the costs of so doing will be met as a cost of the Administration as part of the Administrators' remuneration

iv) If the Administrators think that funds will become available for unsecured creditors, the Administrators may at their discretion make an application to court for permission to make distributions to unsecured creditors under Paragraph 65(3) Sch B1 IA86

v) The Administrators shall either apply to the court or seek consent from the appropriate classes of creditors for an extension of the Administration beyond the statutory duration of one year in due course if deemed appropriate

vi) The Administrators may use *any or a combination of "exit route" strategies in order to bring the Administration to an end*, but *in this particular instance* the Administrators are likely to wish to pursue one of the following options as being the most cost effective and practical in the present circumstances -

(a) In the event that there are insufficient funds to enable a distribution to be made to unsecured creditors, then once all of the assets have been realised and the Administrators have concluded all work within the Administration, the Administrators will file a notice under Paragraph 84(1) Sch B1 IA86 with the Registrar of Companies, following registration of which the Company will be dissolved three months later, or if deemed appropriate by the Administrators, apply to court under Paragraph 79 Sch B1 for the Administration to be ended and for the Company to be placed into compulsory liquidation or dissolved, or

(b) In the event that there are sufficient funds to enable a distribution to be made to unsecured creditors, then once asset disposals are complete, the Administrators will place the Company into creditors' voluntary liquidation In these circumstances, it is proposed that MN Cropper and CMT Haig be appointed as Joint Liquidators and any act required or authorised to be done by the Joint Liquidators may be done by either or both of them In accordance with Paragraph 83(7) Sch B1 IA86 and Rule 2 117(3) IR86, creditors may nominate alternative liquidators, provided that the nomination is made after the receipt of these proposals and before they are approved, or

(c) In the event that there are sufficient funds to enable a distribution to be made to unsecured creditors, then once asset disposals are complete, the Administrators will apply to the Court to allow the Administrators to distribute surplus funds, if any, to unsecured non-preferential creditors If such

3. Summary of the Joint Administrators' proposals

permission is given, the Administration will be brought to an end by notice to the Registrar of Companies under Paragraph 84 Sch B1 IA86, following registration of which the Company will be dissolved three months later If permission is not granted, the Administrators will place the Company into creditors' voluntary liquidation or otherwise act in accordance with any order of the court

vii) The Administrators shall be discharged from liability pursuant to Paragraph 98(1) Sch B1 IA86 in respect of any action of theirs as Administrators at a time resolved by the appropriate class of creditors, or in any case at a time determined by the court

It is proposed that the Administrators' fees be fixed under Rule 2 106 of the Insolvency Rules 1986 by reference to the time properly given by the Administrators and the various grades of their staff according to their firm's usual charge out rates for work of this nature and that Category 2 disbursements (as defined by Statement of Insolvency Practice No 9) be charged in accordance with their firm's policy As the Administrators have stated that they think that the Company has insufficient property to enable a distribution to be made to non-preferential unsecured creditors and the Administrators have not and do not intend to make a distribution to preferential creditors as there are no preferential creditors, it will be for the secured creditors to determine the Administrators fees and Category 2 disbursements

4. Receipts and payments account for the period 22 August 2007 to 28 July 2008

Receipts	From 22 August 2007 to 28 July 2008 £	Note	Payments	From 22 August 2007 to 28 July 2008 £	Note
Balance b/f as at 22 February 2008	**13,050,184**		**Balance b/f as at 22 February 2008**	**9,648,460**	
Trading sales	195,487	(a)	Trading purchases	1,360	
Sale of business	361,027		Purchases on behalf of third parties	103,180	(c)
Lease premiums	174,938		Wages and employee-related expenses	493,711	
Book debts	563,076	(b)	Transport, carriage, posting and printing	2,323	
Rental income	28,557		Utilities & telephone / fax	10,305	
Intellectual property rights	2		Insurance	31,757	
Goodwill from sale of business	2		Rent & property related expenses	126,694	
Stores customer database	11,701		Bank charges	73,027	
Interest received gross	53,991		Storage & site clearance	52,615	
Refunds and rebates	52,790		Administrators' remuneration and disburseme	307,597	
Balance at bank	227,303		Legal fees	75,806	
Loans and advances	2,155		Agents' and other professional fees	43,357	
Reimbursement of costs from purchaser	402,839		Third party funds (net)	226,080	(d)
			Other payments	70,199	
			Net VAT payable	383,547	
Total receipts	**15,124,052**		**Total payments**	**11,650,018**	
			Net receipts	**3,474,034**	

Notes
(a) Adjustments made to allocations of receipts from previous reports
(b) Other book debt realisations total £7,459,459 Not shown in this summary as those debts were owned by LTSBCF
(c) Purchases made on behalf of Webb
(d) Includes funds due to Webb in respect of post-sale trading receipts