

The Insolvency Act 1986

Administrator's progress report**2.24B**

Name of Company Strobe 3	Company number 02188184
In the High Court of Justice, Chancery Division, Companies Court (full name of court)	For court use only 1732 of 2010

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

We (a) Paul David Williams and Paul John Clark of MCR, 43-45 Portman Square, London, W1H 6LY,

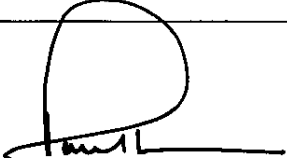
Administrators of the above company attach a progress report for the period

From

To

(b) Insert date

(b) 1 March 2010	(b) 31 August 2010
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Signed 
Joint Administrator

Dated 27/9/2010 .

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searches of the public record.

MCR
43-45 Portman Square
London
W1H 6LY

Tel 020 7487 7240

TUESDAY



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**

**Strobe 3
(In Administration)**

**Joint Administrators' Progress Report to Creditors
for the period from 1 March 2010 to 31 August 2010
pursuant to Rule 2.47(1) of the
Insolvency Rules 1986 (as amended)**

27 September 2010

Names of Joint Administrators: Paul David Williams
Paul John Clark

Date of appointment: 1 March 2010

Date of report: 27 September 2010

Appointed by: The directors of the Company

Court reference: High Court of Justice, London, Chancery Division, The
Strand, London WC2A 2LL
Companies Court no. 1732 of 2010

MCR
43-45 Portman Square
London
W1H 6LY

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1. INTRODUCTION

- 1.1 Paul John Clark and I, both of MCR, were appointed Joint Administrators of Strobe 3 ("the Company") on 1 March 2010 by the directors of the Company, pursuant to Paragraph 22 of Schedule B1 to the Insolvency Act 1986 ("the Act")
- 1.2 In accordance with Paragraph 100(2) of Schedule B1 to the Act, our functions as the Joint Administrators are being exercised by either of us.
- 1.3 The purpose of this report is to provide creditors with details of the progress of the Administration, in accordance with Rule 2.47(1) of the Insolvency Rules 1986 ("the Rules"), for the six month period to 31 August 2010.
- 1.4 This report should be read in conjunction with our previous report dated 16 April 2010.

2. JOINT ADMINISTRATORS' REPORT AND STATEMENT OF PROPOSALS

- 2.1 We issued our Report to Creditors together with our Statement of Proposals ("the Proposals") on 16 April 2010.
- 2.2 As advised in the Proposals, we must perform our functions with the purpose of achieving one of the following hierarchical objectives:
 - Rescuing the Company as a going concern; or
 - 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); or
 - Realising property in order to make a distribution to one or more secured or preferential creditors.
- 2.3 The first objective could not be achieved, as there was no interest by any party in purchasing the Company's shares due to the extent of the Company's liabilities.
- 2.4 We believe that the second objective will be achieved, as the sum of £50,000 was realised in respect of the proposed assignment of a lease. Although the assignment did not eventually complete, the funds received were by way of a non-refundable deposit and we have therefore been able to retain those monies. This realisation would not have been possible if the Company had been wound up.

3. PROGRESS OF THE ADMINISTRATION

- 3.1 The manner in which the affairs and business of the Company have been managed since our appointment and will continue to be managed and financed are set out below.
- 3.2 This report should be read in conjunction with the Proposals. The information below provides a summary of the information provided in the Proposals, together with details of subsequent developments.

Leasehold properties

- 3.3 The Company was a party to a number of leases. The properties involved were mainly public houses, restaurants and bars/clubs.
- 3.4 Accordingly, upon our appointment, a full review was carried out of all leasehold properties of which we were aware. Copies of leases were obtained where possible and the directors of the Company have assisted us in establishing the position with regard to the leases.
- 3.5 It was apparent that the majority of these properties were vacant. In those properties that were sub-tenanted, the rent receivable did not cover the rent due to the head landlords.
- 3.6 We appointed King Sturge LLP to value the leases. King Sturge LLP confirmed that the leases were unlikely to hold any premium value for the Company. We therefore took the necessary steps to offer a surrender of the leases to the landlords as the Company had no interest in the properties.
- 3.7 In our previous report, we advised that negotiations for the assignment of a lease in Braintree were at an advanced stage. The assignment did not complete, however, a non-refundable deposit of £50,000 was received from the prospective assignee.
- 3.8 An assignment of part of a lease for a property in Wakefield completed in June 2010. There was no consideration received for this assignment, however, the landlord's claim against the Company has been reduced as a result of this assignment.
- 3.9 Negotiations are at an advanced stage in respect of an assignment of a lease in Edinburgh, however, this has not yet completed. Again, no consideration is being received for this assignment, however, the landlord's claim against the Company will be reduced as a result of the assignment.
- 3.10 We have instructed Lawrence Graham LLP to advise us with regard to all lease issues and assignments. We continue to liaise with landlords and their advisers where necessary.

Book debts

- 3.11 The Company is owed £24,070 from a sub-tenant. It is our understanding that a Section 6 Notice has been served on the sub-tenant by the landlord, which requires the sub-tenant to pay the rent directly to the landlord. Our solicitors have advised us that, as a result of the Section 6 notice being served, the debt is no longer collectable by us.

Intercompany debt

- 3.12 The sum of £130,926 is due from Cavendish Bars Limited ("Cavendish"). We have agreed a repayment schedule with Cavendish and, to date, we have received £30,000. We anticipate receiving the outstanding balance over the next 10 months.

Debt due from 3D Entertainment (CRC) Limited (In Administration) ("3D")

- 3.13 The Company is owed £225,995 from 3D in respect of monies paid out by the Company as a guarantor for 3D's rental obligations. The Company may also be due further sums by 3D, however these have not yet been quantified. As previously advised, 3D is itself in Administration, and therefore it is currently uncertain whether there will be any funds realisable from this source. We are in the process of quantifying the Company's full claim.

against 3D in order to submit a claim to the Administrators. However, due to the extent of 3D's other liabilities, any realisation from this will be minimal.

Debt due from CanDu Entertainment Group Limited and CanDu Entertainment Limited (Both In Creditors' Voluntary Liquidation) (together "CanDu Companies")

- 3.14 Rent payments were made to several landlords under lease guarantees provided to them following the assignment of leases to the CanDu Companies. The quantum of the total claim is £793,419, although, this claim is yet to be adjudicated on by the respective Liquidators of the CanDu Companies. It is also uncertain what the quantum of any dividend from these Liquidators will be. However we understand that any dividend is likely to be minimal.

Cash at bank

- 3.15 The sum of £150,172 has been realised in respect of cash at bank held by the Company.

VAT Refund

- 3.16 A pre-appointment VAT refund of £57,145 is due to the Company. The relevant documentation has been submitted to HM Revenue & Customs ("HMRC") and we are awaiting confirmation that the funds will not be required to be used as set-off against any amounts due to other Crown departments. The directors do not believe that HMRC is owed any monies by the Company. HMRC has, however, raised a number of queries regarding the Company's tax position, and, therefore, it is currently uncertain whether this amount will be realisable in full

4. INVESTIGATIONS

- 4.1 Our investigations into the Company's affairs are currently ongoing. We are investigating, in particular, the restructuring of the Company as part of the wider reorganisation of the Strobe group of companies by the Luminar Group in 2008. This was a complex restructuring and therefore our investigations will take some time to complete.
- 4.2 We have a statutory obligation to file a report with the Department of Business, Innovation and Skills regarding the conduct of the directors that held office in the three years prior to the Administration. This report must be filed within six months from the appointment date however, due to the very complex nature of certain elements of our investigations, we have requested, and been granted, an extension of time to submit our report, until 30 November 2010. The content of this report will be confidential.
- 4.3 We also have a duty to investigate antecedent transactions which include:
- Transactions at an undervalue, s238 of the Insolvency Act 1986;
 - Preferences, s239 of the Insolvency Act 1986; and
 - Transactions to defraud creditors, s423 of the Insolvency Act 1986.
- 4.4 Should any of the Company's creditors have information concerning the Company's affairs that they would like to bring to our attention, please contact this office as soon as possible.

Joint Administrators' agents and solicitors

- 4.5 We have engaged the following firms to assist us in dealing with the various matters in the Administration:

- King Sturge LLP - Agents valuing leases;
- Lawrence Graham LLP - Solicitors providing general assistance with regard to our appointment and leases; aborted assignment of Braintree lease and other assignments/surrenders;
- Carritt & Co LLP - Solicitors providing assistance with regard to specific leases;
- Mr N Graham - Agent brokering deal with proposed assignee of lease in Braintree, Essex;
- MacIntyre Hudson LLP – tax advisers assisting with all tax related matters.

5. DIVIDEND PROSPECTS / PRESCRIBED PART

Secured Creditors

- 5.1 There are no secured creditors.

Preferential Creditors

- 5.2 As at the date of our appointment, the Company had no employees and, therefore, no preferential claims are expected to be received

Prescribed Part

- 5.3 Pursuant to Section 176A of the Insolvency Act 1986, where a floating charge is created after 15 September 2003, a Prescribed Part of a company's net property shall be made available to non-preferential creditors
- 5.4 As outlined in Paragraph 5.1, the Company has no floating charges and therefore the Prescribed Part does not apply.

Non-Preferential Creditors

- 5.5 According to the directors' Statement of Affairs, non-preferential creditors total £6,226,076. The non-preferential creditors' claims can be summarised as follows:

	£
Trade & Expense Creditors	267,210
Contingent liabilities	5,958,866
Total	<u>6,226,076</u>

- 5.6 The contingent liabilities are the directors' best estimates of claims that will be received by landlords in respect of the Company's future obligations, either as tenant or guarantor. Landlords are expected to mitigate their claims where possible by seeking to find alternative tenants for their properties. This has been achieved in certain cases where we have assisted landlords by assigning or surrendering leases.

6. JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT

- 6.1 A receipts and payments account, for the period from 1 March 2010 to 31 August 2010 is attached, at Appendix 2, together with the cumulative period from 1 March 2010 to 27 September 2010

7. COSTS AND EXPENSES

- 7.1 Our firm's time costs are analysed at Appendix 3 in accordance with Statement of Insolvency Practice 9. As at 17 September 2010, our firm's time costs total £130,259 and £103,080 plus VAT has been drawn as Joint Administrators' remuneration.
- 7.2 Category 1 Disbursements total £309, the total of which has been paid.
- 7.3 The Proposals were approved, with modifications, by the creditors and this permitted our remuneration to be drawn on a time cost basis.

8. EC REGULATIONS

- 8.1 It is our opinion that the EC Regulation on Insolvency Proceedings 2000 ("EC Regulation") apply and these proceedings are main proceedings as defined in Article 3 of the EC Regulation. The centre of main interest of the Company is in England.

9. CREDITORS' MEETING

- 9.1 In accordance with Paragraph 51 of Schedule B1 to the Act, a creditors' meeting was held at 43-45 Portman Square, London, W1H 6LY on 5 May 2010.
- 9.2 Our Proposals were approved at the meeting, with modifications

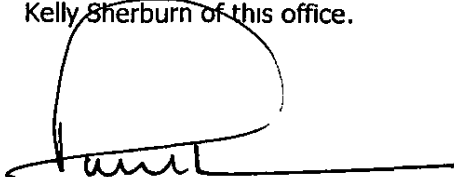
10. CONCLUSION AND ENDING THE ADMINISTRATION

- 10.1 The Proposals advised that Administrations automatically come to an end after one year, unless an extension is granted by the Court or with the creditors' consent
- 10.2 The options available to us for the exit from the Administration are as follows:
- Compulsory Liquidation
 - Creditors' Voluntary Liquidation
 - Company Voluntary Arrangement
 - Return of control to the director
 - Dissolution of Company
- 10.3 It is currently anticipated that there may be sufficient realisations to enable a distribution to be made to non-preferential creditors, however this is dependent on a number of factors.
- 10.4 In the event that we form the view that a distribution can be made to the non-preferential creditors, then we recommend that the Company be moved into Creditors' Voluntary Liquidation ("CVL").

- 10.5 It is proposed that we be appointed as Joint Liquidators of the Company should it be placed into CVL.
- 10.6 In the event that there are insufficient realisations to permit a distribution to the non-preferential creditors, then we recommend that the Company be dissolved. In this event, it is proposed that once all outstanding matters have been satisfactorily completed, we will give notice to the Registrar of Companies under Paragraph 84 of the Insolvency Act 1986 to the effect that the Company has no property to realise which might permit a distribution to the non-preferential creditors at which time the Administration will cease. The Company will be dissolved three months following the registration of the notice at the Registrar of Companies.
- 10.7 You will note from the Proposals that we have left the choice of exit route from Administration open so that an alternative strategy can be adopted, should this prove more appropriate at the time.

11. NEXT REPORT

- 11.1 We are required to provide a Progress Report within one month of the end of the next six months of the Administration. This report will be provided no later than 30 March 2011 or earlier if the Administration has been finalised.
- 11.2 If you have any queries or require any further assistance, please do not hesitate to contact Kelly Sherburn of this office.



Paul Williams
Joint Administrator

APPENDIX 1

Statutory information

STATUTORY INFORMATION

Date of incorporation 3 November 1987

Registered number 02188184

Company directors Christian Arden
David Barrett

Company shareholders Strobe 8 Limited
Strobe 91 Limited

Company secretary N/a

Trading address 1 Duchess Street
London
W1W 6AN

Registered office	Current:	Formerly.
	43-45 Portman Square London W1H 6LY	Euro House 1394 High Road London N20 9YZ

Previous names Harvesting Public Limited Company (to 15 December 1987)
Whitegate Leisure plc (to 30 November 1993)
Northern Leisure Limited (to 16 July 2001)
Luminar Leisure Limited (to 29 February 2008)

Financial information	Year Ended 28 Feb 08 (Audited) £(m)	Year Ended 1 March 07 (Audited) £(m)
Turnover	116.7	242.7
Gross Profit	83.3	192.3
Retained profit for the year	49.7	4.0



CORPORATE
RESTRUCTURING

APPENDIX 2

Joint Administrators' receipts and payments account



Strobe 3
(In Administration)
Joint Administrators' Receipts & Payments Account

Statement of Affairs		From 01/03/2010	From 01/03/2010
(Estimated to Realise)		To 31/08/2010	To 27/09/2010
£		£	£
<u>Asset realisations</u>			
150,230 00	Cash at bank	150,171 50	150,171 50
130,926 00	Debt due from Cavendish Bars Limited	30,000 00	30,000 00
	Bank interest gross	20 25	20 25
	Non-refundable deposit re Braintree lease	50,000 00	50,000 00
	Third party contribution to costs re lease assignment	2,000 00	2,000 00
Uncertain	Trade debtors	Nil	Nil
Uncertain	Value in leases	Nil	Nil
Uncertain	Debt due from 3D Entertainment	Nil	Nil
57,145 00	VAT refund	Nil	Nil
338,301 00		232,191 75	232,191 75
<u>Cost of realisations</u>			
	Accountancy fees	200 00	200 00
	Joint Administrators' remuneration	103,079 60	103,079 60
	Joint Administrators' disbursements	309 00	309 00
	Tax adviser's fees - MacIntyre Hudson LLP	5,000 00	5,000 00
	Agent's fees re Braintree lease - EFD Limited	15,000 00	15,000 00
	Valuer's fees - King Sturge LLP	3,000 00	3,000 00
	Legal fees - Lawrence Graham LLP	31,927 36	31,927 36
	Legal disbursements - Lawrence Graham LLP	137 09	137 09
	Storage Costs	381 02	381 02
	Statutory Advertising	151 20	151 20
	Insurance	262 51	262 51
	Bank Charges	23 14	23 14
		(159,470 92)	(159,470 92)
	Balances in hand	72,720 83	72,720 83

APPENDIX 3

Analysis of time costs

Strobe 3 (In Administration)

Analysis of Joint Administrators' time costs for the period 1 March 2010 to 17 September 2010

Classification of Work Function	Hours					Total Hours	Time Cost	Av hourly Rate
	Partner	Manager	Senior	Assistant	Support			
Administration and Planning							£	£
Strategy planning & control	3 60	6 20	52 90	29 30		92 00	20,982 50	228 07
Statutory matters (Meetings, Reports and Notices)	2 70	9 40	27 00	30 00		69 10	14,976 50	216 74
Case review and Case Diary management	0 30	1 80	1 40	25 90		29 40	3,807 00	129 49
Cashiering & accounting	1 00	1 80	6 10	9 20		18 10	3,675 50	203 07
Statement of affairs	0 50	3 40	7 20	0 60		11 70	3,558 50	304 15
Tax Compliance/Planning	1 30	2 80	1 50	7 10		12 70	2,857 00	224 96
Dealings with Directors and Management	2 00		1 80	2 20		6 00	1,606 00	267 67
IPS set up & maintenance	0 20	0 20	0 40	1 20		2 00	386 00	193 00
Insurance			0 70	1 20		1 90	274 00	144 21
Investigations								
CDDA, reports & Communication	0 30	1 80	39 40	2 30		43 80	11,530 50	263 25
Financial review and investigations (S238/239 etc)	2 10	10 60	17 70	8 60		39 00	9,980 50	255 91
Realisation of Assets								
Freehold and Leasehold Property	20 40	53 10	60 90	13 20		147 60	48,247 50	326 88
Book debts	1 00	4 00	2 50	0 50		8 00	2,787 50	348 44
Other Tangible Assets		0 10	1 90			2 00	457 50	228 75
Pre-Appointment Tax Reclaims		0 90				0 90	355 50	395 00
Sale of business	0 40					0 40	198 00	495 00
Creditors								
Communications with Creditors/Employees	0 10	1 30	2 90	11 50		15 80	2,396 00	151 65
Non Pref Creditors/Employee claims handling	3 00	1 10		2 00		6 10	2,119 50	347 46
Non Pref Creditor claims adjudication and dist'n			0 20			0 20	53 00	265 00
Case Specific Matters								
				0 10		0 10	10 00	100 00
Total Hours	38.90	98.50	224 50	144 90	0 00	506 80		257 02
Total Fees Claimed (£)	19,255 50	38,835 50	57,595 00	14,572.50	0 00		130,258.50	

Category 1 Disbursements:

Classification of Work	£
Courier costs	235 15
Storage	28 00
Postage & stationery	19 95
Company search	16 00
Telephones	9 90
Total:	309.00