

The Insolvency Act 1986

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

Name of Company

Zavvi Group Limited (in Administration)

Company number

02376810

In the

High Court of Justice, Chancery Division, Companies Court

[full name of court]

Court case number

11723 of 2008

(a) Insert full name(s)  
and address(es) of  
administrator(s)I / We (a) Thomas Andrew Jack, Alan Michael Hudson and Simon AllportErnst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY\*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) 17 February 2009

Signed

Joint / Administrator(s)

Dated

14 (14)

**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

James Pollock

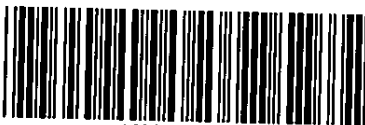
Ernst &amp; Young LLP, 1 More London Place, London, SE1 2AF

Tel: 0207 951 1241

DX Number:

DX Exchange:

SATURDAY



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Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

**Zavvi Entertainment Group Limited**  
**Zavvi Group Limited**

Administrators' statement of proposals  
Pursuant to paragraph 49 of schedule B1 to the  
Insolvency Act 1986

17 February 2009

## Abbreviations

AL	Ablegrand Limited (In Administration)
A2L	Ablegrand (2) Limited (In Administration)
the Companies	Zavvi Entertainment Group Limited (in Administration) and Zavvi Group Limited (in Administration)
CVL	Creditors' Voluntary Liquidation
DLA Piper	DLA Piper UK LLP
EUK	Entertainment UK Limited (In Administration)
HMRC	Her Majesty's Revenue and Customs
HMV	HMV Music Limited
Joint Administrators, the Administrators	Thomas Andrew Jack, Simon Allport and Alan Michael Hudson
MBO	Management Buy Out
PESL	Piccadilly Entertainment Store Limited (In Administration)
VAT	Value Added Tax
VAT group	The VAT group for the following companies: Zavvi Group Limited, Zavvi Retail Limited, VSpace Limited, Ablegrand Limited, Ablegrand (2) Limited, VR Services Limited, Piccadilly Entertainment Store Limited, Zavvi Entertainment Group Limited, Zavvi Limited and Broomco (4103) Limited
VHL	Virgin Holdings Limited
Virgin Megastore	The Virgin group of companies that ran the Virgin Megastore business
Virgin Group	All companies under the ultimate holding company Virgin Holdings Limited
VRSL	VR Services Limited (In Administration)
Zavvi	The trading name of Zavvi Retail Limited
Zavvi Group / Group	All companies under the ultimate holding company Zavvi Entertainment Group Limited
ZEGL	Zavvi Entertainment Group Limited (In Administration)
ZGL	Zavvi Group Limited (In Administration)
ZIL	Zavvi Ireland Limited
ZL	Zavvi Limited
ZOGL	Zavvi Online (Guernsey) Limited (In Liquidation)
ZRIL	Zavvi Retail (Ireland) Limited (In Liquidation)
ZRL	Zavvi Retail Limited (In Administration)

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# 1. Introduction, background and circumstances giving rise to the appointment

## Introduction

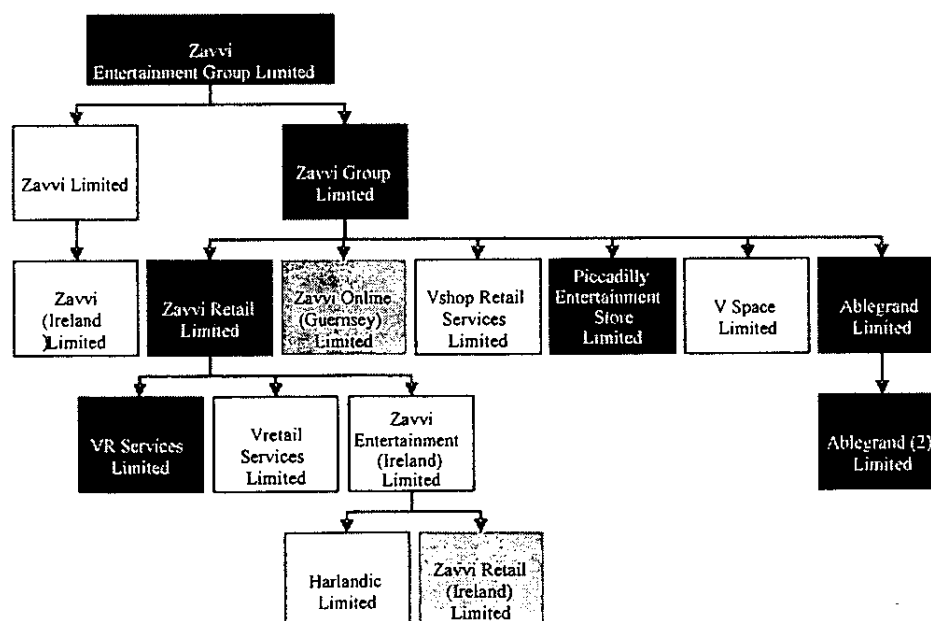
At 9.30am on 24 December 2008, Zavvi Group Limited (ZGL) entered Administration with T A Jack, A M Hudson and S Allport being appointed to act as Joint Administrators. At the time of appointment a winding up petition had been presented against Zavvi Entertainment Group Limited (ZEGL) meaning an Administration Order was not able to be made for ZEGL. ZEGL was subsequently placed into Administration on 13 January 2009. On 24 December 2008, the Joint Administrators were also appointed as Joint Administrators of other Group companies being Zavvi Retail Limited (ZRL), VR Services Limited (VRSL), Piccadilly Entertainment Store Limited (PESL), Ablegrand Limited (AL) and Ablegrand (2) Limited (A2L).

This document, including its appendices, constitutes the Joint Administrators' Statement of Proposals to creditors pursuant to paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 2.33 of the Insolvency Rules 1986 for ZEGL and ZGL (the Companies) only. Separate reports have been prepared for the other Group companies in Administration, which, other than the main trading entity ZRL, were non-trading entities.

Certain statutory information relating to the Companies and the appointment of the Joint Administrators is provided at appendix A.

## Background

The Group was the UK's largest independent entertainment retailer trading from 114 stores across the UK and 11 in Ireland. The Group was formed from a MBO of the Virgin Megastore division of the Virgin Group in September 2007. The Group had no debt facilities of its own but was financed since the MBO through a combination of cash generated from operations and funding provided to the Group at the time of the MBO. The chart below sets out the Zavvi Group of companies.



Key: Solvent company UK company in Administration Company in Liquidation

The main trading entity of the Group was ZRL. Both ZEGL and ZGL did not trade. ZEGL was the ultimate holding company for the Zavvi Group and was established at the time of the MBO. Prior to the MBO, ZGL was the holding company.

The most significant reported asset of ZEGL as per the Statement of Affairs prepared by the directors is a £55.3m unsecured loan to ZRL, which was provided to support the trading operations of ZRL from funds raised at the time of the MBO.

The only reported asset of ZGL is an unsecured loan to ZRL in the amount of approximately £0.2m, being the balancing figure of multiple transactions between ZRL and ZGL pre-dating the MBO days.

### Trading history

Management did not maintain management accounts for the Companies. As such, we have not been provided with profit and loss accounts for ZEGL and ZGL for the period prior to the appointment.

### Other Group companies in Administration

On 24 December 2008, the Joint Administrators were also appointed over a number of other Group companies.

As stated previously, ZRL was the main trading entity, employing the majority of the approximate 3,300 employees (excluding the directors) and was the tenant or sub-tenant of 101 of the 114 stores. ZRL, however, did not purchase any stock, nor did it own any stock but rather sold the stock as agent for ZL, a company which is not in Administration. All sale proceeds were received directly by ZL and the profit margin on those sales was remitted to ZRL pursuant to an agency agreement made between the two parties dated 14 September 2007. This agency agreement was replaced during the period of Administration, with a new agreement made between ZL and the Joint Administrators of the Zavvi companies in Administration. This is discussed further at section 2 of these proposals.

AL, AL2 and PESL did not trade, however, they held numerous leases and were tenants of a number of the stores operated by ZRL. ZRL paid all the lease liabilities of these entities pursuant to agreements entered into by ZRL and the respective Group companies. We understand that these agreements were entered into in 2004. We are currently waiting to obtain signed copies of the respective agreements.

VRSL also did not trade. The only asset of the company is a tax liability and corresponding inter-company debtor.

The financial position of the other Group companies, per the statement of affairs book value submitted by the directors, is summarised below:

£m	ZRL	PESL	VRSL	AL	A2L
Total assets	63.9	-	1.2	-	-
Total liabilities	(192.3)	(1.5)	(1.2)	(2.9)	(4.4)
Net assets/(liabilities)	(128.4)	(1.5)	-	(2.9)	(4.4)

### Circumstances giving rise to the appointment of the Administrators

The Group has traded at a loss for a number of years due to changing customer trends and significant lease commitments. The Group's business is highly seasonal, with peak demand occurring across November and December. However, ZRL experienced considerable cash flow difficulties when EUK, the sole supplier of stock to ZL, was placed into Administration on 27 November 2008. EUK was a subsidiary of Woolworths PLC and Daniel Butters, Nicholas Dargan and Neville Kahn, all partners of Deloitte LLP, were appointed Administrators. We understand the Administrators of EUK believe that there is no prospect of EUK being sold as a going concern.

As a result of the Administration of EUK, ZL was not able to source stock in its usual way. ZL sought supplies from alternative suppliers but experienced significant difficulty in obtaining stock at acceptable prices or on favourable credit terms. This placed considerable pressure on ZRL's working capital and with quarterly rent payments totalling approximately £13m falling due on 25 December 2008, the directors considered that ZRL and other Group companies with lease liabilities were unable to meet their creditor liabilities as they fell due.

Accordingly, on 23 December 2008, the directors applied to the High Court for Administration Orders. As the applications were heard outside normal court hours, the Administration Orders took effect from 9:30 a.m. on 24 December 2008.

### **Group companies in Liquidation**

#### ***Ireland***

On 30 December 2008 Zavvi Retail (Ireland) Limited (ZRIL) was placed into Liquidation and David Hughes of Ernst & Young was appointed Liquidator. This company operated 11 stores throughout Ireland and, similarly to ZRL, did not purchase any stock but rather sold the stock as agent for Zavvi (Ireland) Limited (ZIL).

#### ***Guernsey***

On 24 December 2008, Zavvi Online (Guernsey) Limited (ZOGL) entered Liquidation and Andrew Dann and Tom Jack were appointed Liquidators. ZOGL operated the Group's transaction website (zavvi.co.uk). ZOGL employed two employees, as well as utilising ZRL staff support for which ZRL recharged along with other operating expenses to ZOGL.

### **Other Group companies not in Administration**

There are an additional seven companies in the Zavvi Group which the directors do not believe are insolvent. These companies are ZL, ZIL, VRetail Services Limited, Zavvi Entertainment Group (Ireland) Limited, Harlandic Limited, VShop Retail Services Limited and V Space Limited.

## 2. Purpose, conduct and end of Administrations

### Purpose of the Administrations

The purpose of an Administration is to achieve one of three objectives:

- a) To rescue the company as a going concern.
- b) To achieve 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).
- c) To realise property in order to make a distribution to one or more secured or preferential creditors.

Insolvency legislation provides that objective (a) should be pursued unless it is not reasonably practicable to do so or if objective (b) would achieve a better result for the company's creditors as a whole. Objective (c) may only be pursued if it is not reasonably practicable to achieve either objective (a) or (b) and can be pursued without unnecessarily harming the interests of the creditors of the company as a whole.

The Companies were non-trading entities and their largest debtor was ZRL. At the date of appointment, the prospect of achieving purpose (a) did not appear realistic as to rescue both these entities as a going concern, would be dependent on the ability to rescue ZRL as a going concern. This was considered not to be realistic for the following reasons:

- ▶ The significant operating losses incurred by ZRL made it unlikely that equity investment could be secured.
- ▶ Following the failure of EUK it would be difficult for ZRL to be able to secure stable and competitive supplies.

As the primary objective (a) was not viable objective (b) was pursued, namely to achieve a better result for creditors than if the Group had been wound up (without first being in Administration) and in the event that this could not be achieved (c) to realise property in order to make a distribution to one or more secured or preferential creditors.

As previously stated the Companies' main assets, as identified by the directors at the date of appointment, were both unsecured loan receivables from ZRL. The ability to recover these amounts from ZRL for the creditors of both the Companies depended upon the outcome of the Administration of ZRL. Therefore, the Administration strategy reflects the Administration strategy of ZRL as follows:

- ▶ The Joint Administrators were able to secure a contribution of £11.1m from ZL for ZRL to cover margin on future trading, plus an additional £6m on account to cover the costs of ongoing trading, which would not be available in Liquidation.
- ▶ The Joint Administrators were also able to secure a contribution of £0.2m for ZEGL and £0.1m for ZGL from ZL to support the Administration strategy which would not have been available if the Companies had entered Liquidation.
- ▶ The Joint Administrators were aware of interested parties who may seek to acquire certain operations and assets of ZRL, which would be best achieved through enabling such operations to continue to trade for a limited period whilst negotiations were ongoing.
- ▶ In selling certain stores as a going concern the associated transfer of employees would reduce the level of preferential and unsecured claims arising in the Administration.



The Joint Administrators considered that this was the best possible outcome that would likely produce a dividend for the creditors of ZRL, and therefore lead to the recovery of monies for the creditors of the Companies.

The sections that follow set out the actions taken in the Administration and how it is envisaged that the purpose of the Administration will be achieved.

### **Conduct of the Administrations**

#### ***ZRL: Compromise Agreement and New Agency Agreement***

As stated above, the Administration strategy for the Zavvi Group was dependent upon the ability of ZRL to continue to trade. On 23 December 2008, a confidential Compromise Agreement was entered into between the Administrators of EUK, ZL, ZIL and VHL, subject to a New Agency Agreement being entered into between ZL and ZRL (in Administration), for amounts outstanding to EUK from ZL. At the time of the Compromise Agreement, ZL owed ZRL approximately £12.6m for margin payments. The Compromise Agreement avoided the insolvency of ZL, which was otherwise likely, and if it had occurred ZRL would likely have received no dividend. This in turn, would have resulted in no dividend for the unsecured creditors of ZRL, including the Companies.

The New Agency Agreement was entered into on 24 December 2008 by the Joint Administrators and ZL, to enable ZRL to continue to sell ZL's stock and preserve value in ZRL's assets, which the Joint Administrators considered to be of more value as a going concern. The main terms of the New Agency Agreement are as follows:

- ▶ ZRL would continue to trade up until 23 February 2009 and sell ZL stock, with proceeds being remitted to ZL.
- ▶ The Joint Administrators would continue to manage the stores, including managing the sale process of stores and store closures.
- ▶ ZL would make a payment of £11.1m to ZRL in lieu of any margin payments owing under the original agency agreement and in consideration of earnings for the period 24 December 2008 to 23 February 2009, plus pay an additional £1.15m in to the various Group companies in Administration. Of this, ZEGL was paid £0.2m and ZGL £0.1m.
- ▶ ZL would pay all certified operational costs in relation to the performance of the Agency Agreement by ZRL and other Group companies, including but not limited to employees, security, leases, IT, insurance and utilities, with £6m being paid on account in advance.

As a result of the Compromise Agreement, the Joint Administrators were able to negotiate the New Agency Agreement and secure £11.35m for the creditors of ZRL, which had ZL gone into an insolvency process, would have more than likely resulted in nil return to the creditors of ZRL.

### **Asset realisations**

#### ***Agency fee***

As stated above, the New Agency Agreement resulted in the Joint Administrators being able to secure funding of £0.2m and £0.1m for ZEGL and ZGL respectively. This would not have been available if the Companies had gone into Liquidation.

#### ***Unsecured loan***

If the unsecured loan of £55.3m is admitted in the insolvency of ZRL, ZEGL may be eligible for any subsequent dividend distribution. Based on current estimates of a potential distribution of £0.05p/£, this could rise to a dividend to ZEGL from ZRL of around £2.78m in due course.

### **VAT recovered by ZGL**

ZGL was the representative member for the Zavvi VAT Group, which included companies not in Administration such as ZL. At the date of appointment, the Zavvi Group's VAT position was as follows:

VAT receivable/(payable) (£m)	ZL	ZRL	Total
VAT return as of 29/11/2008	4.1	2.9	7.0
VAT position to 23/12/2008	(6.8)	0.3	(6.5)
<b>Net VAT position</b>	<b>(2.7)</b>	<b>3.2</b>	<b>0.5</b>

The net payable position as at 23 December 2008 had arisen due to peak sales achieved in the lead up to Christmas. Although ZGL remitted the VAT returns for the Group, the VAT payable and receivable arose from the trading activity of ZL and ZRL.

From the date of appointment ZL is no longer a member of the Zavvi VAT Group however, it had a considerable VAT payable at that date of £6.8m. Members of a VAT Group are joint and severally liable for VAT payable, meaning HRMC was able to offset the VAT payable position of ZL at the date of appointment against the refund outstanding at the date of appointment of £7.0m.

Accordingly, an agreement was entered into with the directors of ZL and the Joint Administrators whereby ZL would remit to ZGL the amount of its net liability at the date of appointment being £2.7m. This, plus the net refund of £0.5m due from HRMC will result in an amount of £3.2m being recovered in total by ZGL.

As ZRL was owed a refund for the same period, ZRL now has an unsecured claim of £3.3m in the Administration of ZGL.

### **Potential dividend**

It is anticipated that there may be a dividend payable to the unsecured creditors of both ZEGL and ZGL. However, at this stage of the Administration, it is too early to estimate the likely level of creditor claims, the likely dividend payable and the likely timeframe of any such dividend.

### ***Future conduct of the Administrations***

In order to achieve the purposes of the Administration, it is proposed that the Joint Administrators will continue to manage the affairs, business and property of the Companies in the manner outlined above, including the following:

- ▶ Collect the Companies' book debts.
- ▶ Finalise the Administrations, including the payment of all Administration liabilities.
- ▶ Review the tax affairs of the Companies.
- ▶ Deal with statutory reporting and compliance obligations.
- ▶ Deal with unsecured creditor claims, including any potential claims from guarantees provided as necessary.
- ▶ Deal with intercompany claims between the Companies and any other Zavvi Group companies, in particular establishing claims in ZRL.

The Administrators may seek the permission of the Court to make a dividend distribution to unsecured creditors during the course of the AdministrationS; however, this is yet to be confirmed.

If a dividend distribution is not to be made in the Administrations, the Joint Administrators will seek to enable one or both of the Companies to move into a Creditors' Voluntary Liquidation (CVL) to allow the distribution of available monies to the unsecured creditors.

### **The end of the Administrations**

If a dividend distribution is not made in the Administration, it is proposed that, at the end of the Administration, one or both of the Companies will move straight into Creditors' Voluntary Liquidation upon the filing with the registrar of companies of a notice pursuant to paragraph 83 of Schedule B1 to the Insolvency Act 1986. It is proposed that the Liquidators will be Tom Jack and Simon Allport of Ernst & Young LLP. In accordance with paragraph 83(7) of Schedule B1 to the Insolvency Act 1986 and Rule 2.117(3) of the Insolvency Rules 1986, creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after the receipt of these proposals and before the proposals are approved. It should be noted in this regard that a person must be authorised to act as an insolvency practitioner in order to be appointed as Liquidator.

However, if there is a dividend distribution made to unsecured creditors in the Administration and if at the end of the Administration one or both of the Companies have no property which might permit a further distribution to their creditors and there are no further matters to be dealt with, it is proposed that the Joint Administrators will send a notice to that effect to the registrar of companies. On registration of the notice the Joint Administrators' appointment will come to an end. In accordance with the provisions of paragraph 84(6) of Schedule B1 to the Insolvency Act 1986 the Companies will be deemed to be dissolved three months after the registration of the notice.

### 3. Statement of Affairs

The directors have submitted their Statement of Affairs in respect of the Companies as at 24 December 2008 and a summary is attached at appendix B.

Please note that the Statement of Affairs represent the directors' estimates of the realisable value of the Group's assets and may differ from actual amounts realised. Similarly, a number of creditor claims have yet to be quantified and may be higher than indicated. All values are shown before applicable costs of realisations.

The figures have been compiled by the Group's management and have not been subject to independent review or statutory audit.

We provide below, for information, a summary of the Statement of Affairs, prepared by the directors. The figures have been compiled by management and have not been subject to independent review or statutory audit.

#### **ZEGL**

##### **Summary of assets**

###### ***Intercompany debtors***

Intercompany debtor balances are set out below:

	£m
Zavvi Retail Limited	55.3

Management has advised that this loan was provided to ZRL to fund trading activity. Due to the quantum of this claim, the Joint Administrators will need to undertake considerable work to support the validity of this claim.

If the claim is valid and admitted in the Administration of ZRL, ZEGL will rank equally with other unsecured creditors of ZRL and therefore may be able to participate in any distribution made from ZRL. Due to the large number of potentially high value contingent creditors of ZRL, primarily landlords, it is difficult to estimate with accuracy the potential dividend that may be payable to unsecured creditors. However, at this stage of the Administration it is hoped that a dividend may be payable of around £0.05p/£. This could result in a return to ZEGL of approximately £2.78m.

Quantum of claim (£m)	Potential dividend from ZRL (£m)
55.3	2.77

##### **Summary of liabilities**

###### ***Secured creditors***

The company does not have any secured creditors.

###### ***Preferential creditors***

The company does not have any preferential creditors.

###### ***Non-preferential unsecured creditors***

The directors have so far identified the following unsecured creditors of ZEGL.

	£m
Corporate FX	0.17
Cornerstone	0.05

We understand that there are some creditors who invoiced ZEGL prior to the Administration who have amounts outstanding. The directors have advised that they consider all creditors, other than those detailed above, to be creditors of ZRL. However, if you believe you are a creditor of ZEGL (for example instead of ZRL) you should submit details of your claim in writing to the Joint Administrators to enable us to evaluate your claim.

## **ZGL**

### **Summary of assets**

#### ***Intercompany debtors***

Intercompany debtor balances are set out below:

	£m
Zavvi Retail Limited	0.24

As previously stated this is the net balance of multiple transactions between ZGL and ZRL pre-dating the MBO. Further work is required by the Joint Administrators to establish the validity of this claim in the ZRL Administration.

If the claim is valid, ZGL will rank equally with other unsecured creditors of ZRL and therefore may be able to participate in any distribution made from ZRL. Due to the large number of potentially high value contingent creditors of ZRL, primarily landlords, it is difficult to estimate with accuracy the potential dividend that may be payable to unsecured creditors. However, at this stage of the Administration it is hoped that a dividend may be payable of around £0.05p/£. This could result in a return to ZGL of approximately £0.01m.

However, we expect that this unsecured claim will be fully offset by VAT monies owing from ZGL to ZRL, as discussed earlier. Consequently, we do not expect any realisations in respect of this debt due to ZGL.

### **Summary of liabilities**

#### ***Secured creditors***

The Company does not have any secured creditors.

#### ***Preferential creditors***

The Company does not have any preferential creditors.

#### ***Non-preferential unsecured creditors***

There are a number of contingent creditors, being the 10 leases for which ZGL has provided guarantees. Management has not estimated what the quantum of these claims could be in the ZGL Administration.

ZGL has provided guarantees for leases in ZRL, PESL, AL and A2L. The potential claim of landlords will depend on whether any dividends are payable from the respective Administrations. At this stage, it is not anticipated by the Joint Administrators that a dividend will be payable in the PESL, AL and A2L Administrations.

As already discussed, ZRL is also an unsecured creditor of ZGL in the amount of approximately £3.3m being for VAT owing to the date of appointment of Administrators. This was not included in the Statement of Affairs of ZGL but was recorded as a receivable in the Statement of Affairs of ZRL.

#### **4. Prescribed part**

The prescribed part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The prescribed part applies to floating charges created on or after 15 September 2003.

There are no floating charges granted by the Companies. As such, the prescribed part does not apply to either entity.

## **5. Administrators' remuneration and disbursements, and payments to other professionals**

### **Remuneration**

The statutory provisions relating to remuneration are set out in Rule 2.106 of the Insolvency Rules 1986. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Insolvency Practitioners Association at <http://www.insolvency-practitioners.org.uk> (follow 'Regulation and Guidance' then 'Creditors' Guides to Fees'), or is available in hard copy upon written request to the Joint Administrators.

In the event a Creditors' Committee is formed, the Joint Administrators will be seeking approval from the Creditors' Committee to have their remuneration fixed by reference to the time properly spent by them and their staff on matters arising in the Administration in accordance with Rule 2.106(2) (b) of the Rules.

The Joint Administrators will request approval from the Creditors' Committee to charge for and draw fees on a monthly basis at a level up to 80% of all time properly spent by them and their staff on matters arising in the Administration. The Joint Administrators shall seek the approval by subsequent resolutions of the Creditors' Committee to charge for and draw fees in respect of the balance of 20% of all time properly spent by them and their staff on matters arising in the Administration.

In the event that a Creditors' Committee is not formed, the Joint Administrators propose that their remuneration be fixed on the basis of time properly spent by them and their staff in dealing with matters arising in the Administration and that they be permitted to charge for and draw fees in respect of such time costs on a monthly basis.

Details of the Administrators' time costs and charge-out-rates will also be provided to the creditors in progress reports.

An analysis of time spent, and charge out rates, for each grade of staff for the various areas of work carried out to 6 February 2009, as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No. 9, is attached at appendix C for each of the Companies.

Also attached at appendix C is statement of the Administrators' charging policy.

### **Disbursements**

Appendix C also includes a statement of the Joint Administrators' policy for charging disbursements. The Joint Administrators propose to charge and draw payment for all Category 1 expenses from time to time but do not propose to seek approval for their payment.

In addition, the Joint Administrators will from time to time request approval from the Creditors' Committee to charge and draw payment for Category 2 expenses. In the event a Creditors' Committee is not formed the Joint Administrators propose that they be permitted to charge and draw payment for Category 2 expenses from time to time during the Administration.

### **Payments to other professionals**

The Joint Administrators have engaged DLA Piper to provide them with legal services. They were chosen on the basis of their experience in similar assignments.

## 6. Other matters

### **Administrators' receipts and payments.**

A summary of the Administrators' receipts and payments for the Companies is attached at appendix D.



## Appendix A Statutory information

### ZEGL

#### Company information

Company name:	Zavvi Entertainment Group Limited
Registered office address:	c/o Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY
Registered number:	06308049
Trading name(s):	Zavvi Entertainment Group Limited
Trading address(es):	Horatio House 77-85 Fulham Palace Road London W6 8JA

#### Details of the Administrators and of their appointment

Administrators:	T A Jack, A M Hudson and S Allport
Date of appointment:	13 January 2009
By whom appointed:	The appointment was made by a directors' application to Court under the provisions of paragraph 10 of Schedule B1 to the Insolvency Act 1986.
Court reference:	11721 of 2008 High Court of Justice, Chancery Division, Companies Court

Any of the functions to be performed or powers exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting severally.

#### Statement concerning the EC regulation

The EC Council Regulation on Insolvency Proceedings does apply to this Administration and the proceedings are main proceedings. This means that this Administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Union Member State.

#### Share capital

Class	Authorised		Issues and fully paid	
	Number	£	Number	£
Ordinary	200,000	2	200,000	2

#### Directors and secretary and their shareholdings

Name	Director or secretary	Date appointed	Current shareholding (£)
Stephen Peckham	Both	01/08/2007	1
Simon Douglas	Director	01/08/2007	1

## ZGL

### Company information

Company name:	Zavvi Entertainment Group Limited
Registered office address:	c/o Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY
Registered number:	02376810
Trading name(s):	Virgin Retail Group Limited (until 12/11/2007) Natlute Limited (until 30/10/1989)
Trading address(es):	Horatio House 77-85 Fulham Palace Road London W6 8JA

### Details of the Administrators and of their appointment

Administrators:	T A Jack, A M Hudson and S Allport
Date of appointment:	24 December 2008
By whom appointed:	The appointment was made by a directors' application to Court under the provisions of paragraph 10 of Schedule B1 to the Insolvency Act 1986.
Court reference:	11723 of 2008 High Court of Justice, Chancery Division, Companies Court

Any of the functions to be performed or powers exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting severally.

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### Share capital

Class	Authorised		Issues and fully paid	
	Number	£	Number	£
Ordinary	10	1	10	1

### Directors and secretary and their shareholdings

Name	Director or secretary	Date appointed	Current shareholding (£)
Stephen Peckham	Both	3 April 2000	1
Simon Douglas	Director	26 January 2006	1
Zavvi Entertainment Group Limited	Parent company	N/A	10

## **Appendix B    Directors' statement of affairs**