

The Insolvency Act 1986

2.17B

Statement of administrators' proposals

Name of Company Mark Elliot Furniture Limited	Company number 02568700
In the High Court Birmingham District Registry	Court case number 8306 of 2010

We William James Wright
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Mark Jeremy Orton
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

attach a copy of OUR proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on 27 August 2010

Signed


Joint Administrator

Dated

27 August 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 researchers of the public record.

Vanessa Ting
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Tel +44 121 6095891
DX Exchange

Number DX 709850 Birmingham 26

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

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COMPANIES HOUSE



**Mark Elliot Furniture Limited
(in administration)**

Statement of Proposals

Pursuant to Paragraph 49 of Schedule B1 of the
Insolvency Act 1986 & Rule 2.33 of the Insolvency
Rules 1986 (both as amended)

KPMG LLP

27 August 2010

This report contains 27 Pages

[www/bab/vt/1f](http://www.bab/vt/1f) Report to Creditors



COMPANIES HOUSE



*Mark Elliot Furniture Limited
(in administration)
Statement of Proposals
KPMG LLP
27 August 2010*

Notice: About these Proposals

- This Proposal has been prepared by William Wright and Mark Orton, the Joint Administrators of Mark Elliot Furniture Limited, solely to comply with their statutory duty under paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes of the administration order, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.
- This Proposal has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in Mark Elliot Furniture Limited.
- Any estimated outcomes for creditors included in this Proposal are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.
- Any person that chooses to rely on this Proposal for any purpose or in any context other than under paragraph 49, Schedule B1 of the Insolvency Act 1986 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Proposal.
- William Wright is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.
- Mark Orton is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association.
- The Joint Administrators act as agents for Mark Elliot Furniture Limited and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Proposal or the conduct of the administration.



*Mark Elliot Furniture Limited
(in administration)
Statement of Proposals
KPMG LLP
27 August 2010*

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1 Glossary

Administration Order	The Administration Order granted in the High Court of Justice, Chancery Division, Birmingham District Registry, Court No 8306 of 2010
Administrators	William Wright and Mark Orton of KPMG LLP
Company	Mark Elliot Furniture Limited, previously known as Broadblue Limited
SKG	SKG Capital Limited
Directors	John Elliot Mark Elliot Peter Dean Emma Elliot June Elliot Jennifer Love
Act	The Insolvency Act 1986 (as amended by The Enterprise Act 2002)
Rules	The Insolvency Rules 1986 (as amended by The Enterprise Act 2002)
CVA	Company Voluntary Arrangement
IPR	Intellectual Property Rights
Bank	Barclays Bank plc
Barclays Mercantile	Barclays Mercantile Limited
Pension Trustees	Trustees of Broadblue Limited Pension Scheme

The references in these Proposals to sections, paragraphs or rules are to be the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules 1986 (as amended) respectively



2 Executive summary

- William Wright and Mark Orton of KPMG LLP were appointed as Joint Administrators of Mark Elliot Limited by the Company's directors on 6 July 2010
- The Company was incorporated on 14 December 1990 and its principal activity was the manufacture and retailing of furniture
- The Company had been in a CVA since October 2008. Recent trading had not been sufficient to enable the Company to stay within the terms of the CVA and as a result the supervisor of the CVA determined that the arrangement had failed. As a result, the directors filed a notice of intention to appoint administrators on 18 June 2010, proposing the CVA supervisor, Andrew McTear, of McTear, Williams and Wood, as the prospective administrator
- Subsequent to this notice being filed, the Company engaged KPMG LLP, following an introduction from an interested party, SKG, to run an accelerated marketing process of the business, which was detailed to creditors in a memorandum provided with the initial letter notifying of the appointment (and reproduced at Appendix 5). The outcome was a successful sale of the business to two subsidiaries of SKG Capital
- Based on the expected level of net realisations and amounts owed to the secured creditors, it is anticipated that a dividend will become available to unsecured creditors, but we are unable to currently estimate the likely quantum of these funds
- As it is anticipated that a distribution will become available to unsecured creditors, in accordance with Paragraph 51 of Schedule B1 of the Insolvency Act 1986, a meeting of creditors by correspondence will be held in accordance with Paragraph 58 of Schedule B1 of the Act. A formal notice of conduct of business by correspondence is enclosed with this Report. A full explanation of the process of the process is set out in section 5.6 of this Report
- The most likely exit route for the administration is to place the Company into liquidation under Paragraph 100 of the Act, as explained in section 5.6 of this Report
- This document in its entirety constitutes the Joint Administrators' Statement of Proposals. A summary list of the Proposals is shown in section 5.6 of this Report

William Wright
Joint Administrator



3 Background and events leading to the administration

The principal activity of the Company was the manufacture and retail of furniture. It was incorporated on 14 December 1990, as Broadblue Limited, and operated ten leasehold stores and a factory and head office in Beccles, Suffolk.

The Company had been in a CVA since October 2008. Recent trading had not been sufficient to enable the Company to stay within the terms of the CVA and as a result, the supervisor of the CVA determined that the arrangement had failed. As a consequence, the directors filed a notice of intention to appoint administrators on 18 June 2010 proposing the CVA supervisor, Andrew McTear of McTear, Williams and Wood as the prospective administrator.

On 17 June 2010, KPMG were approached by SKG to discuss the Company's situation. SKG confirmed that they had been in discussions with the directors about a possible investment in the Company. SKG recommended that the Company discuss its options with KPMG, and on 22 June 2010, KPMG were formally engaged by the Company.

Due to a lack of funding, KPMG's instructions were to run an accelerated sales process to seek to secure a going concern solution for the business. Following a full marketing process, all indicative offers received were on a business and asset purchase basis. The final sale was concluded on 6 July 2010, immediately following the appointment of Will Wright and Mark Orton appointed as Joint Administrators.

Full details of the background can be found in Appendix 5, the memorandum concerning the sale of business as provided to creditors following appointment.

4 Purpose of the administration and proposal for achieving this objective

In accordance with paragraph 3(1) of Schedule B1 of the Act the Administrators have the following hierarchy of objectives. In order these are:

- a) rescuing the company as a going concern, or
- b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up, or
- c) realising property in order to make a distribution to one or more secured or preferential creditors.

The Joint Administrators concluded that objective (b) was the most viable for the following reasons:

- It was not possible to trade the Company in administration due to a lack of funding and a number of other issues as highlighted in Appendix 5.



- In addition to the above, due to the fact that a thorough sales process had been undertaken to test the market, it was unlikely that extending the process through the administration would have resulted in increased value being realised
- As a result, the business was sold immediately following appointment, achieving a better result than would have been likely if the Company were wound up

The Administrators have sold the business and assets for the benefit of the creditors and are now in the process of determining the available funds for creditors

5 Progress of the administration to date

5.1 Sale of business

As previously stated in this Report, a sale of business was completed immediately following our appointment to subsidiaries of SKG, a third party company

The sale consideration achieved was as follows

	Stock	Plant & equipment	Intellectual property	Goodwill	Total
	£	£	£	£	£
Statley Properties Limited (now MEF Retail Limited) (retail business)	109,997	1	1	1	110,000
HSB Construction (Eastern) Limited (now MEF Manufacturing Limited) (manufacturing business)		39,998	1	1	40,000

All consideration was paid immediately on completion and has been received

5.2 Asset realisations

5.2.1 Debtors

The Company's books and records show some amounts due in respect of book debts. These amounts are currently being investigated.



5.2.2 Bond

The Joint Administrators understand that Barclays Mercantile hold a bond of £40,000 in relation to merchant acquiring services provided to the retail outlets. As the sale of business agreement stipulated that all outstanding orders must be completed by the purchaser, the Joint Administrators do not anticipate any claims under this facility. However, we are currently unable to confirm whether the full amount of the bond will be returned, or the timing thereof, and we will continue to liaise with Barclays Mercantile accordingly.

5.2.3 Investigations

The Administrators have a duty to investigate whether potential courses of action exist against third parties which would increase recoveries for creditors. If creditors wish to bring any matters they believe to be relevant to the attention of the Administrators, they are invited to do so in writing to William Wright and Mark Orton at KPMG LLP, One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH.

5.3 Costs of realisations

5.3.1 Joint Administrators' remuneration

The statutory provisions relating to remuneration are set out in Rule 2.106 of the Rules. Further information is given in the Association of Business Recovery Professionals' publication *A Creditors' Guide to Administrators' Fees*, a copy of which can be obtained at [www.r3.org.uk/uploads/sip/SIP9_v5_April_2007\(1\).pdf](http://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007(1).pdf). However, if you are unable to access this guide and would like a copy please contact Vanessa Ting on 0121 609 5891.

The Administrators propose that their remuneration be fixed on the basis of time properly given by them and their staff in dealing with matters arising in the administration at their normal hourly rate of charging, as set out in Appendix 3. This proposal will be considered at the meeting of creditors.

Attached as Appendix 4 is a detailed analysis of time spent, and charge out rates, for each grade of staff for the various areas of work carried out to 27 August 2010, as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No 9 ("SIP 9").

In the period to 27 August 2010, we have incurred time costs of £41,259.50 representing 170.70 hours. This includes work undertaken in respect of tax, VAT, employee, pensions and health and safety advice from KPMG LLP in-house specialists.



5.4 Liabilities

5.4.1 Secured creditors

Barclays Bank plc hold a debenture dated 12 March 2002. As at appointment, we understand approximately £4,000 was owed to the Bank relating to the most recent outstanding company credit card bills.

Our solicitors will review this debenture to confirm its validity and, once confirmed, this amount will be repaid in full from funds realised.

5.4.2 Preferential creditors

As all employees were transferred as part of the sale purchase agreement under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE), the Joint Administrators do not anticipate any preferential creditor claims in the administration.

5.4.3 Unsecured creditors

Following the expected repayment of the secured creditor, the Joint Administrators anticipate that following settlement of all costs of realisation, a surplus of funds will be available for the unsecured creditors, however, we cannot confirm the quantum or timing of the distribution.

The approximate quantum of unsecured creditors also remains uncertain whilst the failed CVA is finalised. Further updates will follow in our future reports as the position is clarified.

5.4.4 Pre-administration costs

Pre-administration costs of £2,138 and £1,997 (both net of VAT) were incurred by the CVA supervisor, Andrew McTear and McTear, Williams and Wood LLP respectively. These costs were incurred in respect of preparations for the appointment of administrators, with the CVA supervisor carrying out his required duty following the failure of the arrangement.

In light of the above, the Joint Administrators believe that these costs should be considered pursuant to Rule 2.33(2B)(h) of the Rules, being fees charged by another person qualified to act as an insolvency practitioner.

Pursuant to Rule 2.67A of the Rules, these costs are therefore subject to separate approval by a creditors' committee, should one be established, or by resolution of a meeting of creditors.



5.5 Creditors' meeting

In accordance with Paragraph 51 of Schedule B1 of the Insolvency Act 1986, the Joint Administrators are required to hold a meeting of creditors. In the interests of restricting unnecessary costs, we propose to hold a meeting of creditors by correspondence, in accordance with Paragraph 58 of Schedule B1 of the Act. In accordance with Rule 2.48(1) of the Insolvency Act 1986 please find appended to this report Form 2.25B, being formal notice of conduct of business by correspondence.

For voting purposes the completed Form 2.25B should be completed and returned to the administrators by no later than 12.00 noon on 13 September 2010 together with a statement of claim.

Please note that in accordance with Rule 2.48(7) of the Insolvency Act 1986 any single creditor, or a group of creditors, of the Company whose debt(s) amount to at least 10% of the total debts of the Company may, within 5 business days from the administrators sending out the resolution or proposals, require him to summon a meeting of creditors to consider the matters raised herein in accordance with Rule 2.37 of the Insolvency Act 1986.

5.5.1 EC Regulations

The EC regulations will apply to these proceedings which constitute main proceedings as defined in Article 13 of the EC Regulations. The centre of main interest of the Company is in England within the EC.

5.6 Joint Administrators' proposals

In addition to the specific itemised proposals below, this document in its entirety constitutes the Administrators' proposals in accordance with Paragraph 49 of Schedule B1 of the Act.

The Administrators propose the following:

- To continue to do all such things reasonably expedient and generally exercise all their powers as Administrators as they, in their discretion, consider desirable in order to maximise realisations from the assets of the Company in accordance with the objective as set out above.
- To investigate and, if appropriate, pursue any claims the Company may have.
- To seek an extension to the administration period if deemed necessary by the Administrators.
- That the Administrators be permitted to pay any realisations to secured and preferential creditors.



- That the Administrators will be discharged from liability in respect of any action of their as Administrators pursuant to paragraph 98(1) of Schedule B1 of the Act, upon the filing of the final Receipts and Payments account in accordance with Rule 2.110 of the Rules
- If the Administrators think 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, should one be appointed, and that the cost of so doing be met as a cost of the Administration as part of the Administrators' remuneration. The Administrators may, at their discretion, adjudicate the claims of unsecured creditors and seek the permission of the court for a distribution to be made to the unsecured creditors by the Administrators pursuant to Paragraph 65(3) Sch B1 of the Act
- If distribution of funds within the administration are deemed inappropriate, the Joint Administrators, William Wright and Mark Orton, are appointed as Joint Liquidators of the Company which will subsequently be placed into creditors' voluntary liquidation or compulsory liquidation. In accordance with paragraph 83(7) and Rule 2.117(3), creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of the proposals and before the proposals are approved
- If creditors' voluntary liquidation and compulsory liquidation are deemed inappropriate, the Joint Administrators take the necessary steps to move the Company straight into dissolution under Paragraph 84 of Schedule B1 of the Act
- That pursuant to Rules 2.67A and 2.33(2B), the costs incurred by Andrew McTear and McTear, Williams and Wood LLP in respect of preparations made for the appointment of the Joint Administrators outlined in section 5.4.4 of this report be approved based upon time costs and shall be paid out of the assets of the Company
- That the Administrators be authorised to draw fees on account from the assets of the Company from time to time during the period of the administration based on time properly spent at KPMG LLP charge out rates that reflect the complexity of the assignment. Also, that the Administrators be authorised to draw disbursements from time to time to include category two disbursements
- That the costs of KPMG LLP in respect of forensic, tax, VAT and pension advice provided to the Administrators be based upon time costs and shall be paid out of the assets of the Company



*Mark Elliot Furniture Limited
(in administration)
Statement of Proposals
KPMG LLP
27 August 2010*

Appendix 1

Statutory information

Company name and Trading style	Mark Elliot Furniture Limited		
Administration Order	The Administration Order was granted in the High Court of Justice, Chancery Division, Birmingham District Registry, Court No 8306 of 2010		
Date of appointment	6 July 2010		
Present Administrators' details	William Wright is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants of England and Wales		
	Mark Orton is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association		
Functions	The functions of the Administrators are being exercised by either or both of them in accordance with Paragraph 100(2) of Schedule B1 of the Act		
Application of EC regulations	EC regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC regulations		
Company Directors		<i>From</i>	<i>To</i>
	Mark Elliot	14/12/1992	N/A
	Emma Elliot	14/09/1994	N/A
	Jennifer Love	01/08/2001	N/A
	John Elliot	01/08/2001	04/08/2010
	June Elliot	01/08/2001	04/08/2010
	Peter Dean	01/08/2001	09/08/2010
Company Secretary	Robert Collins		
Date of incorporation	14 December 1990		
Company registration number	02568700		
Previous registered office	Colonial House, Anson Way, Beccles Business Park, Beccles, NR34 7TL		
Present registered office	c/o KPMG LLP, One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH		
Trading address	31 Timberhill, Norwich, Norfolk, NR1 3LA		

No audited details of the Company's prior year trading results are available as the Company produced abbreviated unaudited accounts
Details of the Company's share capital and holdings



*Mark Elliot Furniture Limited
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Authorised share capital	1,098 Ordinary Shares of £1 each
Issued share capital	1,098
Shareholders	Mark Elliot – 560 shares Emma Elliot – 300 shares Andrew Hall – 50 shares Janet Hall – 50 shares Jennifer Love – 49 shares Peter Dean – 49 shares Cheryl Elliot – 40 shares



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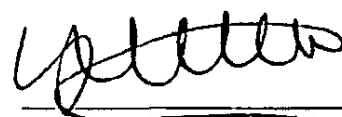
Appendix 2

Joint Administrators' receipts and payments account

Mark Elliot Furniture Limited
(In Administration)
Administrators' Abstract of Receipts & Payments

Statement of Affairs	From 06/07/2010 To 27/08/2010	From 06/07/2010 To 27/08/2010
FIXED CHARGE ASSETS		
Property rights/Patents	2 00	2 00
Goodwill	2 00	2 00
	<u>4 00</u>	<u>4 00</u>
ASSET REALISATIONS		
Plant & machinery	39,999 00	39,999 00
Stock	109,997 00	109,997 00
	<u>149,996 00</u>	<u>149,996 00</u>
OTHER REALISATIONS		
Bank interest, gross	3 45	3 45
	<u>3 45</u>	<u>3 45</u>
COST OF REALISATIONS		
Agents'/Valuers' fees	3 811 54	3,811 54
Legal fees	10 077 60	10,077 60
Statutory advertising	75 60	75 60
Other property expenses	12 00	12 00
	<u>(13,976 74)</u>	<u>(13,976 74)</u>
	<u><u>136,026 71</u></u>	<u><u>136,026 71</u></u>
REPRESENTED BY		
Floating ch VAT rec'able		2,438 57
Floating charge current		133,588 14
		<u><u>136,026 71</u></u>

Note



William James Wright
Administrator



*Mark Elliot Furniture Limited
(in administration)
Statement of Proposals
KPMG LLP
27 August 2010*

Appendix 3

Analysis of Joint Administrators' time costs

Mark Elliot Furniture Limited in administration

Time Cost Analysis from 6 July to 27 August 2010

	Partner / Director	Manager Administra tor	Support	Total hours	Time cost	Average hourly rate
Administration & planning						
Cashiering						
General (Cashiering)	0 10	2 90	0 70	3 70	£777 50	£210 14
Reconciliations (& IPS accounting reviews)			0 50	0 50	£52 50	£105 00
General						
Books and records		3 60		3 60	£612 00	£170 00
Statutory and compliance						
Appointment and related formalities		12 40	30 90	43 30	£10,275 50	£237 31
Bonding and bordereau			1 20	1 20	£270 00	£225 00
Checklist & reviews			0 20	0 20	£45 00	£225 00
Strategy documents	1 20		0 20	1 40	£639 00	£456 43
Tax						
Initial reviews - CT and VAT		6 00		6 00	£1,110 00	£185 00
Post appointment corporation tax	0 10			0 10	£51 50	£515 00
Creditors						
Creditors and claims						
Agreement of preferential claims	7 00			7 00	£3,080 00	£440 00
General correspondence	1 00	0 20	30 00	31 40	£5,550 00	£176 75
Pre-appointment VAT / PAYE / CT		0 20		0 20	£64 00	£320 00
Statutory reports		3 00	31 30	34 90	£6,187 50	£177 29
Employees						
Pensions reviews		0 50	3 70	4 20	£992 50	£236 31
Investigation						
Directors						
Correspondence with directors			0 90	0 90	£148 50	£165 00
Directors' questionnaire / checklist			2 80	2 80	£462 00	£165 00
Realisation of assets						
Asset Realisation						
Freehold property		0 10		0 10	£32 00	£320 00
Health & safety			0 20	0 20	£45 00	£225 00
Leasehold property		16 00		16 00	£5,205 00	£325 31
Sale of business	7 00	6 00		13 00	£5,660 00	£435 38
Total in period				170 70	£41,259 50	£241 71



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Appendix 4

Estimated financial position and schedule of creditors

NOTE:

The directors' statement of affairs has not been received as at the date of this report. This will be provided to creditors with our next report following receipt. In the absence of a statement of affairs, an estimated financial position based solely on estimated book values is attached, compiled from company records.

Mark Elliot Furniture Limited - in administration

Estimated Balance Sheet Values at 6 July 2010

Fixed Assets	
Tangible Assets	288,824
Investments	1
Total Fixed Assets	288825
Current Assets	
Stock	467,246
Trade and Other Debtors	91,632
Inter-Company Loans	603
Cash at bank and in hand	1,987
Total Current Assets	561,468
Liabilities	
Trade and Other Creditors	3,848,765
Total Liabilities	3,848,765
Net Assets	-2,998,472
Equity	
Ordinary Share Capital	1,098
Share Premium Account	19,140
Profit and Loss Account	-3,009,902
Loss for the Year	-8,808
Total Capital and Reserves	-2,998,472

Please note the above has been compiled exclusively from information provided by the Company and has not been audited or verified in any way by the Joint Administrators

Mark Elliot Furniture Limited Case Contact Data

Key	Name	Address	Contact	Telephone/Fax	Email
CA00	Ace Fire	14 Concorde Road, Vulcan Road Industrial Estate, Norwich, Norfolk, NR6 6BW			
CA01	Active Security	Locke House, 2 Balfour Road, Weybridge, Surrey, KT13 8HD			
CA02	Adhams Plc	Sole Bay Brewery, Southwold, Suffolk, IP18 6JW			
CA03	Air Extreme	Furlong Cottage, Wapley Road, Codrington Bristol, BS37 6RX			
CA04	Aldeburgh music	Snape Malings Concert Hall, Snape Suffolk. IP17 1SP			
CA05	AMN Foam Ltd	32 - 34 Hollands Road Haverhill Suffolk, CB9 8PR			
CA06	Anglian Water	Payment Centre, PO Box 854, Lincoln, LN5 7WR			
CA07	Aviva	St Helen's, 1 Undershaft, London, EC3P 3DQ			
CB00	British Gas	Payment Area 3, Camberley, Surrey, GU95 1AE			
CB01	Blyth Hotel	Station Road, Southwold, Suffolk, IP18 6AY			
CB02	Boheme Properties	Wensum Farm, Elsing, Dereham, Norfolk, NR20 3EP			
CB03	Bridgevale	18a Park Grove, Cardiff South Wales, CF10 3BN			
CB04	BT	BT Payments Centre, Durham, DH98 1BT, Account No VP79913270			
CB05	Burghley house	61 High Street, St Martins, Stamford, Lincs, PE9 2LQ			
CC00	The Contributions Agency	Longbenton, NEWCASTLE-UPON-TYNE, NE98 1YX			
CC01	Chambers & Co	Jonahlan Scott Hall, Thorpe Road Norwich, Norfolk, NR1 1UH			
CC02	Chubb Fire Ltd	PO Box 18069, Excel Centre, Aberdeen, AB23 8SF			
CC03	Clockwork Components Ltd	Unit 6 Network Point, Range Road, Witney, Oxen OX29 0YN			
CC04	Colour Systems	90/92 Pentonville Road, London, N1 9HS			
CC05	Companies House	Late Filing Penalties, P O Box 710, Crown Way, Cardiff, CF14 3UZ			
CC06	Cymru Water	P O Box 690, Cardiff, CF3 5WL			
CD00	David Gale	16 Spinney Close, North Cove, Beccles Suffolk, NR34 7PT			
CD01	De Freville House Properties Ltd	56 High Green, Great Shelford, Cambridge, CB22 5EG			
CD02	Designers Guild	3 Latimer Place, London, W10 6QT			
CE00	Edmundson & sons International Hauli	Southgate, White Lund Ind Est, Morecambe, LA3 3PB			
CE01	England & Co	216 Westbourne Grove, London, W11 2RH			
CE02	Eon	Customer Service Centre, POBOX 7750, Nottingham, NG1 6WR			
CE03	Essex & Suffolk Water	Customer Accounts, P O Box 1 Lowestoft Suffolk, NR32 5JT			
CF00	Fabrics Flare Limited	Gosford Road, Beccles, Suffolk, NR34 9QP			
CF01	Feathermade	2 Bayham Farm Buildings Little Bayham, Lamberhurst, Tunbridge Wells, Kent, TN3 8BD			
CF02	Fire Safety Services	Progress House, 15 Raiton Road Woburn Road Industrial Estate, Kempston MK42 7PW			
CH00	Holkham The Estate Office	Holkham Hall, Holkham, Wells-next-the-sea, Norfolk, NR23 1AB			
CH01	Homeserve Warranties Ltd	Alpha House, Sunnyside Road North, Weston-super-Mare, North Somerset, BS23 3PZ			
CI00	HM Revenue & Customs	Debt Management Enforcement & Insolvency, Durrington Bridge House, Barrington Road, Worthing, BN12 4SE			
CI01	Insert Press House	118 Commercial Street, London			
CJ00	Jane Hansell	62 Woodland Gardens, North Wootton, Kings Lynn, Norfolk, PE30 3PX			
CJ01	J M T Leather	I, Inca Business Park, Acton, Sudbury, CO10 0BB			

Mark Elliot Furniture Limited Case Contact Data

Key	Name	Address	Contact	Telephone/Fax	Email
CJ02	J Trumbull				
CM00	Martins Upholstery Supplies	Unit 14 Alders Ind Est, Seven Mile Lane, Mereworth, Nr Maidstone, Kent, ME18 5JG			
CM01	Mears, Hobbs & Durrant	11 Ballygate, Becoles, Suffolk, NR34 9NA			
CM02	Mitchell Veneer & Components Ltd	170 Folly Lane, St Albans Herts, AL3 5JG			
CM03	MJL	2 Walsworth Road, Hitchin, Herts, SG4 9SP			
CN00	Norfolk Saw Services	Dog Lane, Horsford Norwich, Norfolk, NR10 3DH			
CN01	Npower	Payment Processing Centre, PO Box 18, Kingswinford, West Midlands, DY6 8BL			
CP00	PMW Limited	Stane Court, Stane Street, Billingham, West Sussex, RH14 9HP			
CP01	Poppers Senco UK Ltd	630 Europe Boulevard, Gemini Business Park, Warrington, WA5 7YH			
CP02	Portland Place PLC	The Coach House, Lippitts Hill High Beach Loughton, Essex, IG10 4AL			
CP03	PPL	1 Upper James Street, London, , W1F 9DE			
CR00	Rock 2	21 Maria Square, Belmont, Lancashire, BL7 8AE			
CR01	Royal Mail	Revenue Management Centre, Royal Mail, Stone Hill Road, Farnworth, Bolton, BL4 9XX			
CS00	Satine Interactive	39 Malthouse Drive, Chiswick, London, W42NR			
CS01	Sewing Industries Ltd	Unit 1, The Cottage, Braoseworth Lane, Braoseworth, Eye, Suffolk, IP23 7HB			
CS02	Shell Gas Direct	FAO Mr N Catino 1-3 Strand, London, WC2N 5EJ			
CT00	The Decorators Stamford	Dairy Farm Bungalow, Burghley Park, Stamford, PE9 3JX			
CT01	The Ethedo Press Limited	Ethedo House, Spearhead Industrial Park, Lane End Road, High Wycombe, Buckinghamshire HP12 4JG			
CT02	The Performing Rights Society	PRS-PAYMENTS, PO BOX 4575, Worthing, BN11 9AR			
CT03	Telegraph Media Group	Credit Control Dept, 111 Buckingham Palace Road, London, SW1W 0DT			
CW00	Wemyss Weavercraft Ltd	7a Nobel Road, Wester Gourdie Ind Est, Dundee, Scotland, DD2 4UH			
CW01	Wurth UK Ltd	1 Centurion Way, Erith, Kent, DA18 4AE			
CW02	Mr J White	5 Moseley Wood Lane, Cookridge, Leeds, West Yorkshire, LS16 7ER			



*Mark Elliot Furniture Limited
(in administration)
Statement of Proposals
KPMG LLP
27 August 2010*

Appendix 5

Sale of business memorandum (SIP 16)

Mark Elliot Furniture Limited (“the Company”) – in administration

SIP 16 Memorandum regarding the sale of business on 6 July 2010

Background

The Company is a manufacturer and retailer of furniture based in East Anglia, operating ten leasehold stores and a factory and head office in Beccles, Suffolk

The Company had been in a company voluntary arrangement (“CVA”) since October 2008. Recent trading had not been sufficient to enable the Company to stay within the terms of the CVA and as a result the supervisor of the CVA has determined that the arrangement has failed. As a consequence, the directors filed a notice of intention to appoint administrators on 18 June 2010 proposing the CVA supervisor, Andrew McTear of McTear, Williams and Wood as the prospective administrator.

The only secured creditor to the Company is Barclays Bank plc (“the Bank”) with the only facilities provided being a current bank account which is in credit. Barclays Mercantile Limited provide card acceptance facilities.

The Notice of Intention provided protection in the form of an interim moratorium whilst the options for the Company could be assessed.

Disclosure of information as required by Statement of Insolvency Practice 16

The source of the administrator’s initial introduction

On 17 June 2010, KPMG LLP (“KPMG”) were approached by SKG Capital Limited (“SKG”) to discuss the Company’s situation. SKG confirmed that they had been in discussions with the directors about a possible investment in the Company and had suggested to the directors that, given the financial position of the Company, they should ensure they sought to pursue the best option for all creditors. They recommended that the Company speak to KPMG to discuss these options. The directors therefore made contact with KPMG.

The extent of the administrator’s involvement prior to appointment

Following contact from the directors on 18 June 2010, we discussed the various potential options that the Company had available to it.

With the CVA failed, the directors confirmed that they had already spoken with the supervisor and a notice of intention to appoint administrators had been filed to establish the interim moratorium.

KPMG advised that in order to seek the best outcome, a possible strategy would be to undertake an accelerated marketing process whilst the Company was protected by the interim moratorium. This would be in the interest of all stakeholders and in particular, the company’s creditors.

The directors subsequently requested that KPMG be engaged by the Company to assist them in exploring the potential sale of the Company or its business and assets.

Following this instruction KPMG were formally engaged on 22 June 2010 by the Company.

The Company confirmed that they were already speaking to two parties about possible disposal options – one being SKG as per the original introduction detailed above, and another being a consortium that the directors had identified

KPMG advised that a much wider marketing process needed to be undertaken in order to properly investigate the options available to the Company. The timescales for this were dictated by the length of the interim moratorium and as such, we felt a resolution would be required by Friday 2 July 2010, notwithstanding the possibility of filing a successive notice of intention to appoint administrators at Court.

Marketing activities conducted by the company and/or the administrator

As noted above, the significant pressure caused by the failure of the CVA meant the ability to continue trading was only possible under the cover of a Notice of Intention to appoint administrators. This therefore reduced the available timeframe to market the business for sale via a focused and intense marketing campaign.

Consequently the directors, with the assistance of KPMG, quickly made contact with a total of 44 parties to facilitate a focussed sales process in order to secure a potential purchaser for the Company. These parties comprised a range of distressed VC investors and prospective trade buyers. Additionally, the opportunity was circulated around KPMG nationally.

Of the 44 parties approached, 11 requested further information and 5 held discussions with management (including the 2 parties they had already identified).

Four formal offers were received, all of which were on a business and asset purchase basis. No party made an offer to acquire the Company via a share sale due to the level of liabilities in its balance sheet. The final sale was concluded on 6 July 2010 following contract negotiations and the filing of a second notice of intention to appoint administrators on 1 July 2010, with Will Wright and Mark Orton of KPMG as proposed appointees.

The four offers were as follows:

Offer A	£150,000	Business and assets, including continuation of trade
Offer B	£75,000	Business and assets, including continuation of trade
Offer C	£82,000	Business and assets, including continuation of trade
Offer D	£69,750	Purchase of current stock and liquidation of this thereafter

Have the directors been advised to take independent legal advice on their personal position?

The directors were advised by KPMG to take independent legal advice on their personal position throughout the sale process.

Valuations obtained of the business or the underlying assets

Messrs GVA Grimley ("GVA") were engaged by KPMG as independent agents on 23 June 2010 to perform an assessment of the value of the Company's plant and machinery at the factory and showroom premises. The range of valuations for plant and machinery were £28,000 to £75,000. GVA confirmed that there was no value in the leasehold property interests.

This valuation was utilised in benchmarking the offers received for the business and assets

The alternative courses of action that were considered by the administrator, with an explanation of possible financial outcomes

KPMG considered the following courses of action when advising the Company

1) Continued trading and share sale (outside of administration)

We considered whether it was possible for the Company to trade outside an administration process

Owing to the high level of creditors, particularly HMRC, and the fact that the CVA had failed, there was no scope for the Company to continue to trade without an insolvency process

2) Administration. trading on and marketing the business for sale

The major issue around an administrators' ability to trade was that all intellectual property and product designs (together "IPR") used by the Company were owned by a third party, being the Trustees of Broadblue Limited Pension Scheme (certain trustees of which were also directors of the Company) The IPR had been transferred to the Trustees in 2008 in return for £250,000 which was injected as working capital into the Company

We obtained legal advice which confirmed that ownership of the intellectual property vested in the Pension Trustees and that, should the licence to use the intellectual property be terminated, the Company would be unable to manufacture or sell stock using the 'Mark Elliot' name or designs

The Pension Trustees informed us that they would seek to terminate the licence and take legal action in the event of an administration, so that there was a serious risk that the administrators would be unable to manufacture or sell any new or existing goods

Further, significant funding would have been required to allow trading to continue, together with additional risks and damage to the business being caused by the Company not having the ability to fulfil orders already placed and paid for Customers who had paid deposits may have lost those deposits and the merchant acquirer for credit and debit cards would have crystallised a loss

It was therefore clear that continued trading during administration was not commercially viable

3) Administration. orderly wind-down

We also considered the likely outcome of a short-term trading-on of the business in order to realise all stock for the benefit of creditors

The ability to pursue this strategy would have been conditional on gaining the approval of the intellectual property owner to the continued use of the licence The Pension Trustees, as owners of the IPR, indicated that they would take legal action to block any such process

Notwithstanding this, detailed forecasts were prepared for a trading wind-down strategy in administration This indicated that a modest profit for the benefit of creditors could have been generated in a best case scenario, by achieving a sale of all stock within a short timeframe

However, a worst case scenario of a protracted shutdown could have seen a net loss to the further detriment of creditors. Further, all orders placed but not manufactured / delivered up to the date of any appointment would remain unfulfilled and thus crystallise additional liabilities for the Company, as well as damaging the business, thereby making any going concern sale highly unlikely.

With the above taken into consideration, it was not in the interests of creditors to pursue such a strategy.

Why it was not appropriate to trade the business, and offer it for sale as a going concern, during the administration.

Given the issues highlighted above, it was not a commercially viable option to trade the business during an administration.

Please detail the reason behind the decision to undertake a pre-packaged sale, justifying why such a course of action is appropriate and does not unnecessarily harm the interests of the creditors as a whole.

The decision to undertake a pre-packaged sale was taken for the following reasons:

- The CVA had failed and the supervisor would have had a duty to wind-up the Company were another strategy not pursued, which would have led to a minimal outcome for creditors on closure.
- As detailed above, continued trading during administration was not commercially feasible.
- Any prospective sale was subject to the agreement of the owner of the intellectual property rights. The purchaser of the business has been able to reach an agreement for ongoing use of this, which had a number of implications beneficial to creditors:
 - Unfulfilled orders will be completed by the purchaser, thus reducing the prospective claims of customers for lost deposits,
 - Corresponding reduction in any potential claim from the merchant acquirer in respect of credit and debit card losses,
 - Prospective recovery of £40,000 bond held from the Company by the merchant acquirer as security against any such losses,
 - Value for stock was maximised as the purchaser will be able to sell the existing stock going forward under the IPR licence it has negotiated.
- Market value of plant and equipment assets has been obtained based on the third party agents' valuation.
- Continuing employment for the 64 staff and avoidance of associated preferential and unsecured claims.
- Potential assignment of eleven leases thereby improving Landlords' positions as a result of securing an ongoing tenant.

Overall the return to all creditors (including the Bank as secured creditor) has been maximised under the pre-pack sale.

Details of requests made to potential funders to fund working capital requirements

The Company's directors had exhausted their own personal options for refinancing or obtaining external investment. They injected in excess of £1m into the business historically. No other additional finance sources were available.

The funding required for the Company to continue trading solvently was immediate and significant in quantum owing to the obligations to HM Revenue & Customs and the liabilities due under the CVA. Due to the Company's financial position any lending by the Bank would have been unsecured and represent an equity risk. The Company repaid all borrowings (previously an overdraft facility) to the Bank as a condition of approval of the CVA and thus there was no scope to obtain additional funding.

The directors had also made enquiries of other lenders, who confirmed there was no possibility of support given the history and the CVA.

As detailed above, the requirement to find a purchaser who could conclude a deal in the available timescale was critical to maximise the value for creditors. As such, the directors had already approached two prospective investors, who quickly confirmed that owing to the position of the business, there was no scope to make an equity investment into the existing Company. The outcome from the KPMG-led marketing process further reinforced this view.

Whether efforts were made to consult with major creditors

The CVA supervisor, representing the majority of creditors, was made aware of the process by the directors and we understand was supportive given that the outcome was likely to be better than under the alternative of a winding-up.

HM Revenue & Customs were the largest other creditor and we understand they were informed of the failure of the CVA and the likely outcome being administration.

The Bank is the only secured creditor of the Company but was not owed any sum as at appointment, having been repaid as a condition for approving the CVA in 2008.

The date of the transaction

The sale of the business and assets of the Company was completed on 6 July 2010 to two separate new companies formed by SKG, with the business and assets split into separate manufacturing and retail entities.

The consideration for the transaction, terms of payment, and any condition of the contract that could materially affect the consideration

Consideration for the sale totalled £150,000, split as follows:

	Stock	Plant &	Intellectual	Goodwill	Total
	£	equipment	property	£	£
Statley Properties Limited (retail business)	109,997	1	1	1	110,000
HSB Construction (Eastern) Limited (manufacturing business)		39,998	1	1	40,000

The above amounts were paid in full on completion.

The sale also made the purchasers liable for fulfilling all orders placed with the Company and saw all employees transferring to the purchasers, thus avoiding significant additional claims against the Company

If the sale is part of a wider transaction, a description of the other aspects of the transaction

We understand that the purchasers have reached a separate agreement with the owners of the IPR

The identity of the purchasers

The purchasing vehicles formed by SKG were Statley Properties Limited and HSB Construction (Eastern) Limited Details of the assets acquired are shown above

Any connection between the purchaser and the directors, shareholders or secured creditors of the company

There is no connection between the parties However, certain directors will be retained within the new business

The names of any directors, or former directors, of the Company who are involved in the management or ownership of the purchaser, or of any other entity into which any of the assets are transferred

We understand that certain existing directors are likely to be retained post transaction to manage the ongoing business They were not involved with the purchasing companies prior to the transactions

Whether any directors had given guarantees for amounts due from the Company to a prior financier, and whether that financier is financing the new business

No guarantees had been given by the directors to the Bank

Any options, buy-back arrangements or similar conditions attached to the contracts of sale

The contracts of sale did not include any options, buy-back arrangements or similar conditions