

The Insolvency Act 1986

Notice of move from administration to creditors' voluntary liquidation

2.34B

Name of Company

The Merchant International Group Limited
(In Administration)

Company number

02898956

In the

High Court of Justice, Chancery Division
(full name of court)

Court case number

2278 of 2008

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

I/We (a) Asher Miller & Henry Lan
David Rubin & Partners LLP
Pearl Assurance House
319 Ballards Lane
London N12 8LY

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

having been appointed administrator(s) of (b) The Merchant International Group Limited - In
Administration, Pearl Assurance House, 319 Ballards Lane, London N12 8LY

(c) Insert date of
appointment

on (c) 28 March, 2008

(d) insert name of
appointor/applicant
(e) Insert name(s)
and address(es) of
liquidator(s)


by (d) the Directors
hereby give notice that:

the provisions of paragraph 83(1) of Schedule B1 to the Insolvency Act 1986 apply, and it is
proposed that (e) Asher David Miller and Henry Lan of David Rubin & Partners LLP, Pearl
Assurance House, 319 Ballards Lane, London N12 8LY

will be the liquidator(s) of the company (IP No(s) 9251 & 8188)

we attach a copy of the final progress report

Signed


Joint Administrator(s)

Dated

22/9/09

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

David Rubin & Partners LLP
Pearl Assurance House
319 Ballards Lane
London N12 8LY

57368
DX Number

Finchley 1
DX Exchange



A04 25/09/2009 191

COMPANIES HOUSE

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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

iology Limited, Glasgow, Scotland

IN THE HIGH COURT OF JUSTICE
NO 2278 OF 2008

IN THE MATTER OF
THE MERCHANT INTERNATIONAL GROUP LIMITED - IN ADMINISTRATION
AND
THE INSOLVENCY ACT 1986

JOINT ADMINISTRATORS' FINAL PROGRESS REPORT
PURSUANT TO RULES 2.47 AND 2.110 OF THE INSOLVENCY RULES 1986
FOR THE PERIOD 28 MARCH 2008 TO 21 SEPTEMBER 2009

THE MERCHANT INTERNATIONAL GROUP LIMITED – IN ADMINISTRATION

JOINT ADMINISTRATORS' FINAL PROGRESS REPORT

UNDER RULES 2.47 AND 2.110 OF THE INSOLVENCY RULES 1986

On 28 March 2008, Asher Miller and Henry Lan of David Rubin & Partners LLP, Pearl Assurance House, 319 Ballards Lane, London N12 8LY were appointed as Joint Administrators of The Merchant International Group Limited ("the Company") pursuant to an application filed by the Directors at the High Court of Justice.

We hereby provide our final report to creditors in accordance with Rules 2.47 and 2.110 of the Insolvency Rules 1986 ("IR 1986"). This report should be read in conjunction with the Joint Administrators' report and statement of proposals dated 21 May 2008 and subsequent progress reports dated 16 October 2008 and 24 April 2009.

1. STATUTORY AND OTHER INFORMATION

Court details:	High Court of Justice, Chancery Division, Companies Court
Court reference number:	2278 of 2008
Company name:	The Merchant International Group Limited
Company number:	02898956
Registered office:	Pearl Assurance House 319 Ballards Lane London N12 8LY
Date of the Administration Order:	28 March 2008
Administrators' names and address:	Asher Miller and Henry Lan David Rubin & Partners LLP Pearl Assurance House 319 Ballards Lane London N12 8LY
Details of any extensions to initial period of appointment:	The administration proceedings have been extended for a period of 6 months to 27 September 2009, with the consent of the secured and preferential creditors.

The Joint Administrators act jointly and severally in the exercise of any and all functions exercisable by an administrator appointed under the provisions of Schedule B1 of the Insolvency Act 1986 ("the Act").

2. RECEIPTS AND PAYMENTS

The Joint Administrators' receipts and payments account from the commencement of the administration to 21 September 2009 is attached at Appendix 1. This document details the realisations and payments made in the course of these proceedings, the particulars of which are provided below.

2.1 RECEIPTS

2.1.1 *Sale of business and assets*

As creditors may recall from our earlier reports, the Company's business and assets were sold to Cerberus Corporate Intelligence Limited on the date of our appointment as Joint Administrators, for the total consideration of £110,000 exclusive of VAT.

The sale consideration was payable on completion and was apportioned as follows:

	£
Book debts	85,000
Goodwill & intellectual property	5,000
Office furniture & equipment	19,999
Work in progress	1

The sale of the Company's undertaking has preserved the business as a going concern and has avoided the incidence of claims from employees, which would have arisen if the Company had ceased to trade and proceeded into liquidation. The purchaser has not acquired any responsibility for the liabilities of the Company, apart from any liabilities that might arise in respect of the transfer of the contracts of employment.

2.1.2 *Refunds & recoveries*

A rates refund in the sum of £225.64 has been received from the London Borough of Westminster.

2.1.3 *Cash at bank*

This represents the credit balance in the Company's pre-administration bank account on the date of appointment.

2.1.4 *Uncalled share capital*

At the commencement of the administration proceedings, the Company had unpaid share capital, valued at approximately £41,000, due from one shareholder.

The Joint Administrators have, since mid 2008, been in communications with the shareholder and his solicitors regarding remittance of the above sum to the administration estate. The shareholder initially resisted all demands for payment, maintaining that the unpaid share capital was not due, citing various reasons including a right to a set off of the value of the unpaid share capital against his outstanding employee entitlements, as well as a shareholders agreement effectively stating that there would be no call upon him to pay up unpaid shares as they would instead be repaid from dividends issued by the Company.

In March 2009, after a period of protracted discussions with the shareholder and his solicitors, an offer in the sum of £7,500 was received. This offer was deemed insufficient and was subsequently rejected.

After further negotiations, a settlement was reached in early June 2009 whereby the shareholder would withdraw his preferential claim, in the sum of £9,770.12, and remit to the administration estate a payment in the sum of £10,000, effectively bringing a total settlement value of almost £20,000.

The settlement proceeds were received in full in June 2009.

2.1.5 *Bank interest*

Interest earned on the funds in the Joint Administrators' account amounts to £1,211.32 for the period in review.

2.2 PAYMENTS

2.2.1 *Statutory advertising*

This represents the costs for the publishing of statutory advertising in newspapers and the London Gazette in respect of the Joint Administrators' appointment.

2.2.2 *Specific bond*

The specific bond is the cost of insurance, based on the level of realisations by the Joint Administrators, as required by Section 390 of the Insolvency Act 1986.

2.2.3 *Meeting costs*

The initial meeting of creditors were held at our offices for which our firm charged a nominal rental of £150 for the provision of the boardroom and ancillary facilities

2.3.4 *Agents fees*

Edward Symmons LLP, an independent firm of valuers, were retained to prepare a report and valuation of the Company's assets and to assist with the sale to Cerberus Corporate Intelligence Limited. Legal agents Warwick Boyd & Co were also instructed to attend the Courts in order to file the appropriate appointment documentation.

2.3.5 *Legal and other professional fees*

Solicitors Keystone Law were instructed to provide legal advice on matters relating to the sale and to prepare the Sale and Purchase Agreement. Salans LLP were also retained to provide legal advice on the merits of the claim against the shareholder and to assist with the recovery of the unpaid share capital.

2.3.6 *Administrators' remuneration*

In accordance with the Joint Administrators' approved proposals, fees have been calculated based upon the time properly spent on the administration by the Joint Administrators and the various grades of their staff according to this firm's usual charge out rates for work of this nature and disbursements have been charged in accordance with the firm's policy as set out in Appendix 2.

3. ASSETS TO BE REALISED

There are no outstanding assets to be realised for the benefit of creditors.

4. OTHER RELEVANT INFORMATION

4.1 CREDITORS

4.1.1 Secured creditors

The Company had an overdraft facility with The Royal Bank of Scotland Plc (“the Bank”) which was secured by way of a debenture created on 29 June 2006 and registered at Companies House on 1 July 2006. A total of £86,614 was due to the Bank at the commencement of the administration proceedings.

The Bank’s debenture was validated shortly after the date of appointment and a distribution in the sum of £50,000 was made to the same under the terms of its debenture.

4.1.2 Preferential creditors

Under the provisions of Schedule 6 to the Insolvency Act 1986, any amounts outstanding to employees in respect to unpaid wages (to a maximum of £800) and outstanding annual leave entitlements are afforded priority over the claims of unsecured creditors and the claims of the secured creditor with regards to proceeds from realisation of any assets subject to a floating charge. Any amounts outstanding in respect to payment in lieu of notice and redundancy rank as an unsecured claim in the administration.

The sale of the Company’s business and assets as a going concern has avoided the need to dismiss employees, which would have given rise to substantial liabilities, some of which would have ranked as preferential.

We have, however, received claims from two employees who were made redundant prior to the date of administration, including the shareholder. The combined total of these claim amounts to £10,873.90, however, as discussed at paragraph 2.1.4 above, the shareholder has agreed to withdraw his preferential claim of £9,770.12.

On 21 September 2009, a first and final dividend of 100p in the £ was paid to preferential creditors, including the Redundancy Payments Office in respect of its subrogated claim.

4.1.3 Unsecured creditors

A claim of £27,445 has been received in respect of Company’s Crown liabilities, compared with £115,854 estimated in the Statement of Affairs. In addition to the Company’s tax liabilities, claims have also been received from other unsecured creditors, estimated in the statement of affairs at £444,849.

Creditors may recall that at the initial meeting, a resolution was passed to form a Creditors’ Committee comprising of three members. Creditors are advised that the Committee will carry forward into the liquidation proceedings and the Liquidators may consult with Committee members from time to time in relation to matters arising from the liquidation proceedings.

4.2 SECTION 176A(2) ‘PRESCRIBED PART’

Section 176A(2) of the Act provides that, where the company has created a floating charge after 15 September 2003, the administrator must make a prescribed part of the company’s net property available for the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims. Net property means the amount which would, were it not for this provision, be available to floating charge holders out of floating charge assets (i.e. after accounting for preferential debts and the costs of realisation).

The prescribed part is calculated by reference to a sliding scale as follows:

- 50% of the first £10,000 of net property;
- 20% of net property thereafter;
- Up to a maximum amount to be made available of £600,000

An administrator will not be required to set aside the prescribed part if:

- The net property is less than £10,000 and he thinks that the cost of distributing the prescribed part would be disproportionate to the benefit; (Section 176A(3)); or
- He applies to the court for an order on the grounds that the cost of distributing the prescribed part would be disproportionate to the benefit and the court orders that the provision shall not apply (Section 176A (5)).

The Royal Bank of Scotland plc holds a fixed and floating charge over the Company's business and assets which was created on 29 June 2006, therefore the provisions of S176A will apply in this administration.

The value of net property, being the value of realisations from floating charge assets after allowing for preferential debts and the costs of the administration proceedings, is of the order of £60,003.

The value of the prescribed part is therefore:

50% of the first £10,000	£5,000
20% of the net property thereafter	£10,000
	<hr/> £15,000

The Company will shortly be placed into creditors' voluntary liquidation to allow a distribution to unsecured non preferential creditors from the prescribed part.

4.3 JOINT ADMINISTRATORS' TIME COSTS

We have now reviewed our firm's time costs and would report that for the period 28 March 2008 to 21 September 2009, our total time costs amount to £70,280 for 402.12 hours, which represents an average cost of £174.74 per hour. A breakdown of our time charges is set out in Appendix 2.

As the funds in hand are subject to the security of The Royal Bank of Scotland plc, we have sought from this party sanction to draw our remuneration up to a maximum of £44,000, which has been approved. To date, we have drawn fees totalling £43,675.

Included in the work undertaken to date by the Joint Administrators and their staff is the following: -

- a) Lodging various documents with Companies House and the High Court following the appointment of the Joint Administrators and notifying creditors of the same.
- b) Advertising the appointment of Administrators in the prescribed manner.

- c) In-depth discussions with the purchaser and other interested parties, directors, agents and solicitors regarding the sale of the Company's business and assets and obtaining legal and other advice on the sale agreement.
- d) Obtaining legal and other advice on the sale agreement and the appointment of the Administrators, and negotiating and finalising a sale of the business and assets.
- e) Discussions and negotiations with the shareholder and his solicitors regarding payment of the unpaid share capital and obtaining legal advice on the merits of the same.
- f) Preparing correspondence and reports to the Creditors Committee and dealing with ongoing enquiries raised by Committee members.
- g) Answering telephone enquiries, acknowledging creditors' claims and correspondence therewith.
- h) Detailed investigations into antecedent transactions and other pre-appointment transactions and asset transfers.
- i) Acknowledging creditors claims, answering telephone enquiries and correspondence therewith, and discussions with creditors regarding the general progress of the administration proceedings. Adjudication and payment of divided to preferential creditors.
- j) Dealing with leasehold premises
- k) Correspondence with HM Revenue & Customs in respect of PAYE and VAT.
- l) Opening a designated bank account and dealing with the movement of funds.
- m) Applying for Administrators' bonds, as required by the Insolvency Practitioners Regulations 2005.
- n) Written, email and telephone correspondence with the Company's former employees to provide assistance in lodging their claims with the RPO, and completion of the appropriate forms in order to facilitate the RPO's processing of the claims.
- o) Preparation and circulation of proposals and conduct of the meeting of creditors to consider the proposals pursuant to Paragraph 49 of Schedule B1 of the Act. Subsequent filing of the relevant documentation at Court and at Companies House.
- p) Preparation and submission of the Joint Administrators report on the conduct of the directors pursuant to the requirements of the Company Directors Disqualification Act 1986.
- q) Preparation and circulation of progress reports to creditors in accordance with Rule 2.47 of the Insolvency Rules.

In accordance with the provisions of Statement of Insolvency Practice 9 ("SIP 9"), the current hourly charge out rates applicable to this appointment, exclusive of VAT, are as follows:

	£	
Partners/Office holders		300-395
Managers/Senior managers		220-260
Administrators/Senior Administrators		110-140
Cashiers		100-120

To view an explanatory note issued by the Association of Business Recovery Professionals (R3) concerning administrators' remuneration, please visit the R3 website at [https://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007\(1\).pdf](https://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007(1).pdf). Alternatively, please contact this office to arrange for a copy to be sent to you.

5. SUMMARY OF ADMINISTRATORS' PROPOSALS AND OUTCOME

In accordance with Paragraph 3(1) of Schedule B1 of the Act, the purpose of an administration is to achieve one of the following objectives:

- (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 (without first being in Administration); or
- (c) realising property in order to make a distribution to one or more secured or preferential creditors.

In this case, the Joint Administrators did not consider that objective (a) was achievable, as the Company was clearly insolvent and unable to continue trading due to a lack of finance. Accordingly, objectives (b) and failing that, (c) have been pursued. By achieving a sale as a going concern, via the administration, the creditors as a whole are most likely to benefit.

The Joint Administrators' proposals for achieving the purpose of an administration were set out in our report dated 21 May 2008 and are summarised below:

- i) That the Administrators will investigate and, if appropriate, pursue any claims that the Company may have under the Companies Act 1985 or the Insolvency Act 1986. In addition, the Administrators shall do all such other things and generally exercise all their powers as Administrators as they in their discretion consider desirable in order to achieve the purpose of the administration or to protect and preserve the assets of the Company or to maximise their realisations for any other purpose incidental to these proposals.
- ii) That the Administrators shall have the authority to sanction and agree the fees of any solicitors or similar agents by reference to the time given by such agents and their staff in attending to matters arising in the administration.
- iii) If the Administrators decide that funds will become available for unsecured creditors, the Administrators may at their discretion establish in principle the claims of unsecured creditors for subsequent adjudication by a subsequent liquidator and that the costs of so doing will be met as a cost of the administration as part of the Administrators' remuneration.
- iv) That the basis of the Administrators' fees will be fixed and the drawing of Category 2 disbursements will be agreed by the creditors' committee. If no creditors' committee is formed, it is proposed under Rule 2.106 of the IR 1986 that the Administrators' fees will

be fixed by reference to time properly given by the Administrators and the various grades of their staff according to their firm's usual charge out rates for work of this nature.

- v) That without prejudice to the provisions of Paragraphs 59 to 72 of Schedule B1 of the Act, the Joint Administrators may carry out all other acts that they consider to be incidental to the proposals above to assist in their achievement of the overriding purpose of the administration.
- vi) That the Administrators may extend their term of office either by court order for a specified period, or by consent of the creditors for a specified period not exceeding six months.
- vii) The Administrators may use any of the 'exit route' strategies, or a combination thereof, in order to bring the administration to a conclusion.
- viii) Where the Company is placed into creditors' voluntary liquidation, Asher Miller and Henry Lan of David Rubin & Partners LLP, 319 Ballards Lane, London N12 8LY be appointed as Joint Liquidators and any act required or authorised to be done by the Joint Liquidators may be done by either or both of them.

6. DETAILS OF ANY MAJOR AMENDMENTS TO OR DEVIATIONS FROM THE PROPOSALS

There have been no amendments to or deviations from the Joint Administrators' proposals.

7. STEPS TAKEN DURING THE ADMINISTRATION

The steps and work carried out during the Administration to date have been detailed in our previous six-monthly reports and above.

8. OUTCOME

Through the facilitation of a going concern sale, the Joint Administrators have maximised the realisations to be made from the Company's business as a whole and have thereby achieved the purpose of the administration.

9. END OF ADMINISTRATION AND CONCLUSION

As mentioned at paragraph 4.2 above, it is appropriate to place the Company into creditors' voluntary liquidation in order to allow for payment of a dividend to unsecured creditors from the prescribed part.

Notice is being sent to the Registrar of Companies and when this is filed, the appointment of the Joint Administrators will cease to have effect and the Company shall be wound up as if a resolution for the voluntary winding up under Section 84 of the Act were passed on the day on which the notice is registered. Under the Joint Administrators' proposals the current Joint Administrators, Asher Miller and Henry Lan, are the nominated liquidators. This will enable a distribution to unsecured non-preferential creditors, which is not an option available to an Administrator.

From the creditors' point of view, there will be no need to re-submit claims.

We trust you will find this report adequate for your purposes, however, please do not hesitate to contact this office should you require any further information.

A handwritten signature in black ink, appearing to read 'Asher Miller', with a long horizontal flourish extending to the right.

ASHER MILLER – JOINT ADMINISTRATOR

Dated: 23 September 2009

APPENDIX 1

THE MERCHANT INTERNATIONAL GROUP LIMITED - IN ADMINISTRATION
JOINT ADMINISTRATORS' FINAL RECEIPTS AND PAYMENTS ACCOUNT
FROM 28 MARCH 2008 TO 21 SEPTEMBER 2009

	<u>Estimated</u> <u>to realise</u> £	<u>Realised</u> <u>to-date</u> £	<u>28/03/2009</u> <u>to 18/09/2009</u> £
<u>Balance brought forward</u>			53,929.10
<u>Receipts</u>			
Book debts	71,192.00	85,000.00	0.00
Goodwill & intellectual property	Uncertain	5,000.00	0.00
Office equipment and furniture	2,000.00	19,999.00	0.00
Work in progress	<u>Uncertain</u>	1.00	0.00
Rates refund		225.64	225.64
Cash at bank		139.62	0.00
Uncalled share capital		10,000.00	10,000.00
Bank interest received		1,211.32	7.43
		<u>121,576.58</u>	<u>64,162.17</u>
<u>Payments</u>			
Specific bond		210.00	210.00
Statutory advertising		481.68	0.00
Meeting Costs		150.00	150.00
Agent's fees		4,432.73	0.00
Legal and other professional fees		6,266.99	3,766.99
Corporation Tax		252.71	252.71
Joint Administrators' remuneration		43,675.00	43,675.00
		<u>55,469.11</u>	<u>48,054.70</u>
Receipts less Payments		66,107.47	16,107.47
Less: Distribution to secured creditor		50,000.00	0.00
Less: Distribution to preferential creditors (100p/£)		1,103.78	1,103.78
		<u>15,003.69</u>	<u>15,003.69</u>
<u>Represented by:-</u>			
Balance at bank			7,833.84
VAT Recoverable			7,169.85
			<u>15,003.69</u>

APPENDIX 2

THE MERCHANT INTERNATIONAL GROUP LIMITED - IN ADMINISTRATION LIQUIDATOR'S TIME COSTS FOR THE PERIOD 28/03/2008 TO 18/09/2009 SIP 9 TIME SUMMARY							
Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Managers / Senior Managers	Administrators/ Senior Administrators	Cashiers	Total hours		
Statutory compliance, admin and planning	15:42	65:12	128:18	07:48	217:00	37,525.00	172.93
Investigations	01:36	09:30	09:30	00:12	20:48	3,971.00	190.91
Realisations of assets	16:06	08:36	44:18	00:00	69:00	12,053.00	174.68
Creditors	12:48	30:54	51:42	00:00	95:24	16,731.00	175.38
Total hours and costs	46:12	114:12	233:48	08:00	402:12	70,280.00	174.74

The above headings include *inter alia*:

Administration and Planning

case planning
appointment notification
maintenance of records
statutory reporting and compliance
tax and VAT

Investigations

SIP2 review
reports pursuant to Company Directors Disqualification Act 1986
investigating antecedent transactions

Realisation of Assets

identifying and securing assets
debt collection
property, business and asset sales

Creditors

communications with creditors
creditors claims (including secured creditors, employees and preferential creditors)

Chargeout rates

In accordance with the provisions of Statement of Insolvency Practice 9 ("SIP 9"), the current hourly chargeout rates applicable to this appointment, exclusive of VAT, are as follows:

	£
Partners/Office Holders	300-395
Managers/Senior Managers	220-260
Administrators/Senior Administrators	110-140
Cashiers	100-120

Chargeout rates are normally reviewed annually in November, when rates are adjusted to reflect such matters as inflation, increases in direct wage costs, and changes to indirect costs such as Professional Indemnity Insurance.

Direct expenses ("Category 1 disbursements")

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case will be charged to the estate at cost, with no uplift. These include but are not limited to such items as case advertising, bonding and other insurance premiums and properly reimbursed expenses incurred by personnel in connection with the case.

Indirect expenses ("Category 2 disbursements")

It is normal practice to also charge the following indirect disbursements ("Category 2 disbursements" as defined by SIP 9) to the case, where appropriate:

Postage and stationery: circulars to creditors

Headed paper	25p per sheet	Envelopes	25p each
Photocopying	6p per sheet	Postage	Actual cost

Meeting Costs: Use of Meeting Room is charged at £150 per session.

Storage and Archiving

We use a commercial archiving company for storage facilities for company's records and papers. This is recharged to the estate at the rate of £10 per box per quarter, and includes a small charge to cover the administration costs of maintaining the archiving database and retrieval of documents. We also use our own personnel and vehicle for collection of books and records for which we charge £30 per hour.

Mileage incurred as a result of any necessary travelling is charged to the estate at the HM Revenue & Customs approved rate, currently 40p per mile.