

2.23B

The Insolvency Act 1986

Notice of result of meeting of Creditors

Name of Company
The Merchant International Group Limited (In Administration)

Company number
02898956

In the HIGH COURT OF JUSTICE (full name of court)

Court case number
2278 of 2008

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

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

hereby report that a meeting of the creditors of the above company was held at

(b) Insert place of
meeting
(c) Insert date of meeting

(b) Pearl Assurance House, 319 Ballards Lane, London N12 8LY
on (c) 5 June 2008 at which

*Delete as applicable

~~*1 Proposals/revised proposals were approved~~
~~*2 Proposals/revised proposals were modified and approved~~

The modifications made to the proposals are as follows -

(d) Give details of the
modifications (if any)

(d) That the Joint Administrators shall investigate what happened to the £221,000 recovered from the embezzled sums

~~*3 The proposals were rejected~~

(e) Insert time and date of
adjourned meeting

~~*4 The meeting was adjourned to (e)~~

(f) Details of other
resolutions passed

~~*5 Other resolutions (f)~~

*Delete as applicable

~~*The revised date for automatic end to administration is~~

A creditors' committee ~~*was/was not~~ formed

Signed


Joint Administrator

Dated

6 June 2008

*Delete as applicable

A copy of the ~~*original proposals / modified proposals / revised proposals~~ is attached for those who did not receive such documents prior to the meeting

SATURDAY



A45 *AWUAM0D9* 07/06/2008 328
COMPANIES HOUSE

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

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

DX Number
57368

020 8446 8203
DX Exchange
Finchley 1

Companies House receipt date barcode

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

THE MERCHANT INTERNATIONAL GROUP LIMITED – IN ADMINISTRATION

HIGH COURT OF JUSTICE NO. 2278 of 2008

**STATEMENT OF FORMAL PROPOSALS AND REPORT OF THE JOINT
ADMINISTRATORS AS REQUIRED BY PARAGRAPH 49 OF SCHEDULE B1 OF
THE INSOLVENCY ACT 1986**

1. INTRODUCTION

Henry Lan and I, Asher Miller, both of David Rubin & Partners, Pearl Assurance House, 319 Ballards Lane, London N12 8LY were appointed Joint Administrators of The Merchant International Group Limited (“the Company” or “MIG”) on 28 March 2008, by the Director of the Company

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

2. STATUTORY INFORMATION

The Company’s statutory information is set out in Appendix 1 of this report.

3. BACKGROUND AND TRADING HISTORY

The Company was incorporated on 16 February 1994, and traded from leased premises situated at 75-79 Knightsbridge, London SW1X 7RB

The Company was developed to provide a unique range of risk assessment and risk management services to corporates in non-domestic markets. Since its establishment, MIG has supported and advised some of the largest companies around the world in the discreet identification and evaluation of all manner of risks, weaknesses and threats, by providing a sophisticated approach to strategic risk assessment, intelligence gathering and the management of all types of security issues

Over the years, the Company has also developed what is described as the concept of ‘Grey Area Dynamics’ (‘GAD’). This was created as an alternative to traditional country risk analysis and is based on various criteria, representing key factors felt to be responsible for the success or failure of businesses in non-domestic markets

The Company’s last filed accounts were for the year ended 31 December 2005. Draft accounts were prepared for the year ended 31 December 2006, and management accounts were prepared for the period to November 2007. A summary of these accounts is attached at Appendix 2. It should be noted that the Company made a loss before taxation of approximately £44,000 for the year ended 31 December 2006, and a small profit of £15,000 for the period to November 2007

During its last year of trade, the Company experienced a dramatic decrease in turnover, by some 50%, due to a shareholder dispute resulting in the departure of one of the founding directors who was a key business generator. The dispute and subsequent departure of the founding director, along with the discovery of an embezzlement perpetrated by the Company's former accountant, has resulted in the Company's current financial difficulties

4. EVENTS LEADING TO THE APPLICATION FOR AN ADMINISTRATION ORDER

The business of the Company had initially been profitable, with the Company enjoying an excellent reputation in the strategic research and corporate intelligence industry. The Company won several "European Risk Management Awards" during its tenure of trade.

In recent years, the Company has suffered from a number of problems leading to its insolvency.

In September 2007, it was discovered that the Company's former accountant had embezzled some £328,485 from the Company over a 3 year period

Immediately after the discovery of the fraud, the former accountant was arrested, and an external firm of auditors were instructed to ascertain the extent of the embezzlement and to assist with the recovery of sums that had been stolen

In the course of the investigation, it became evident that the embezzlement was a contributing factor to the Company's cash flow difficulties

In early October 2007, the Company successfully recovered approximately £221,000 out of the £328,485 embezzled however, by this time its cash flow problems had reached critical point

Additionally, shortly after the discovery of the fraud and following on from a shareholder dispute, one of the original founders of the Company resigned from his position as director. It is understood that the resigned director was one of the main contacts for clients and a business generator for the Company. It is also understood that the resigned director has joined another company providing services in direct competition with MIG. With the departure of the resigned director, there was an inherent risk that the Company would lose further business to its rivals

The current director was recommended to obtain the advice of an Insolvency Practitioner and several possible procedures were examined, including a Company Voluntary Arrangement, Liquidation and also Administration

It was clear from the onset that the Company was unable to continue trading due to its increasing liabilities, and there was a distinct possibility that customers would simply find alternative suppliers. In the event of an Administration, a seamless transfer of the business as a going concern would offer the best prospect of protecting the business as a whole and ultimately achieving a better result for the Company's creditors

The mechanism best suited to the sale was a 'pre-packaged' administration, given the absence of additional funding to enable the Company to continue trading during the administration period whilst its business was formally marketed for sale, together with the need to preserve the ongoing co-operation of staff who might have looked for alternative employment had they not transferred to the purchaser shortly after the commencement of the administration.

An independent firm of professional valuers, Edward Symmons LLP, were retained to provide a report and valuation of the Company's business and assets, and to facilitate the sale

On 17 March 2008, a Form 2 8B "Notice of Intention to Appoint an Administrator" was filed in the High Court of Justice with a copy of the sealed document being served on the qualifying floating charge holder. There were no objections lodged against the appointment of the Joint Administrators, and as such the appointment was made on 28 March 2008.

5. PURPOSE OF THE ADMINISTRATION

Paragraph 3(1) of Schedule B1 of the Act states that Administrators must perform their functions with the objective of:

- (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 would be most likely to benefit.

The primary considerations were as follows:

- asset realisations were enhanced, compared to what might be realised on a break up basis in a liquidation,
- continuation of business avoided the need to dismiss current employees, which would have given rise to substantial liabilities, some of which would rank as preferential. The continuation of the business would also avoid or reduce claims of other contingent creditors, especially where there are on-going contractual liabilities
- by selling the book debts, potential collections have been maximised and reduced the exposure of the Company to set-off in respect of 'off-contract' claims, and
- the Joint Administrators did not have sufficient funds to enable the business to be traded whilst other offers were sought

Consideration for the sale of the business was £110,000 and was made up as follows

	£
Book debts*	85,000
Goodwill & intellectual property	5,000
Plant & machinery	19,999
Work in progress	1
Total	£110,000

*Note There are a number of book debts which have been retained by the Company and do not form part of the sale. This is discussed in greater detail in the notes to the statement of affairs

The objectives of the administration have already largely been achieved, due to the agreed sale of the business to Cerberus Corporate Intelligence Limited and the subsequent distribution to the secured creditor. In order that the purpose of the administration be fully achieved, the Joint Administrators propose to remain in office in order to conclude the asset realisation exercise.

6. STATEMENT OF AFFAIRS

The Director has been requested to prepare a Statement of Affairs ("SoA") pursuant to Paragraph 47 of Schedule B1 to the Act but to date, this has not yet been finalised. It has been agreed that the time for its submission should be extended.

For your reference we enclose at Appendix 3 an estimated SoA as at 28 March 2008, which was prepared on a break up basis from the available information provided by our agents, Edward Symmons.

The creditors' claims are based on the last known position from the Company's records. Creditors, if they have not already done so, are requested to submit formal proofs of debt in order that the final position may be ascertained, although it is not the responsibility of the Joint Administrators to formally agree claims.

7. CONDUCT OF THE ADMINISTRATION

To date, most of the work carried out has related to the final negotiation and implementation of the sale agreement, including dealing with the claim of an employee dismissed prior to the Company going into administration, and assisting with Cerberus in achieving continuity of business.

Also included in the work carried out to date is the following

- reporting to the Court, Companies House, creditors and shareholders following the appointment of the Joint Administrators,
- opening a designated bank account and dealing with the movement of funds,
- advertising the appointment of the Joint Administrators in the prescribed manner;
- applying for the Joint Administrators' bonds, as required by the Insolvency Practitioners Regulations 2005,

- correspondence and telephone conversations with solicitors and agents on the sale of undertaking;
- assisting the Redundancy Payments Office with their enquiries and completing various forms;
- liaising with the secured creditor regarding the conduct of the administration proceedings and verification and payment of an interim dividend in respect of the Company's liability to the bank,
- preparation and distribution of this proposal document to all creditors, and filing the same at Court and at Companies House.

8. RECEIPTS AND PAYMENTS ACCOUNT

A copy of the Joint Administrators' receipts and payments account for the period 28 March 2008 to 21 May 2008 is attached at Appendix 4, the contents of which is self explanatory

9. CREDITORS

9.1 Secured Creditors

The Company had an overdraft facility with The Royal Bank of Scotland plc which is secured by way of a Debenture created on 29 June 2006 and registered at Companies House on 1 July 2006. The current account was overdrawn by approximately £86,000 at the date of appointment.

9.2 Preferential Creditors

Under the provisions of Schedule 6 of the Act, 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 will rank as an unsecured claim in the administration.

As detailed above, the sale of the Company's business as a going concern has avoided the need to dismiss its employees, which would have given rise to substantial liabilities, some of which would rank as preferential.

There may however, be preferential claims from a few employees who are owed the balance of their arrears of wages and holiday pay, who were made redundant prior to the Company being placed into Administration.

9.3 Non-Preferential Unsecured Creditors & Section 176A(2) 'Prescribed Part'

It is unclear whether there will be sufficient realisations, after the costs of the administration proceedings, to enable a distribution to be made to unsecured, non-preferential creditors, estimated in the SoA to be in the vicinity of £561,818.

Creditors should note however, that 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 charge created on 29 June 2006, therefore the provisions of S176A will apply in this administration

To the best of the Joint Administrators' current knowledge and belief, the value of net property, being the value of realisations from floating charge assets after allowing for preferential debts and the costs of realisation is of the order of £60,000

The estimate of the value of the prescribed part is therefore

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

Should the value of floating charge assets increase or decrease, the prescribed part will be proportionately increased or decreased accordingly

It unclear at this time whether the Joint Administrators make an application to the Court pursuant to S176A(5). Any such application will only be made if the prescribed part reduces to such a level that the Joint Administrators considers the costs of its distribution to be disproportionate to the benefits to unsecured creditors

10. JOINT ADMINISTRATORS' TIME COSTS

I have now reviewed my time costs for the period from 28 March 2008 to 21 May 2008 and would report that I have total costs of £24,757 for 118.48 hours, which represents an average cost of £208.39 per hour. Most of the sale negotiation of the business, was conducted at partner level as it required in depth discussion with the Director and his advisors, and my agents in order to achieve the best possible realisation. A breakdown of my time charges is set out in Appendix 5

In addition to the above work of developing the strategy for the Administration, including liaising with the Directors, evaluating the business, agreeing the asset realisation strategy, and overseeing progress generally, the Joint Administrators and their staff have undertaken the following tasks:-

- a) Lodging various documents with Companies House and the High Court following the appointment of the Joint Administrators.
- b) Acknowledging creditors claims, answering telephone enquiries and correspondence therewith
- c) Correspondence with the HM Revenue and Customs both as regards PAYE and VAT.
- d) Negotiating and finalising a sale of the business and assets by contract
- e) Validating the charge held by the Royal Bank of Scotland plc and attending to payment of an interim dividend.
- f) Obtaining legal and other advice on the sale agreement and the appointment of Joint Administrators.
- g) Dealing with employees' queries and concerns and assisting the Redundancy Payments Office with their enquiries and completing various forms

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

	£
Partner /Office holders	280-380
Senior Managers	240
Managers	200
Senior Administrators	120
Administrators and Cashiers	75-90

To view an explanatory note issued by the Association of Business Recovery Professionals (R3) concerning administrators' remuneration, please visit the R3 website at http://www.r3.org.uk/uploaded_documents/SIP9_v3_April_2007.pdf Alternatively, please contact this office to arrange for a copy to be sent to you

11. OTHER MATTERS

It is considered that the EC regulation applies and that these proceedings are main proceedings as defined in Article 3 of the EC Regulation as the Company was incorporated in England and conducted the administration of its interest on a regular basis in the United Kingdom

12. FORMAL STATEMENT OF ADMINISTRATORS' PROPOSALS

In accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986, Asher Miller and Henry Lan, the Joint Administrators of The Merchant International Group

Limited – In Administration make, to the creditors, the following proposals for achieving the purpose of the Administration.

- i) 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) 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 be met as a cost of the Administration as part of the Administrators' remuneration.
- iii) A creditors' committee may be formed if the creditors' meeting resolves to do so and if three or more creditors are willing to serve on it. If the administration moves to creditors' voluntary liquidation, any creditors' committee which is in existence immediately before the Company ceases to be in administration shall continue in existence after that time as if appointed as a liquidation committee under Section 101. If a committee is formed, the Administrators and the Joint Liquidators (when appointed), will consult with it from time to time on the conduct of the administration and liquidation proceedings. Where it is considered appropriate, the committee's sanction will be sought to proposed action instead of convening a meeting of all the creditors.
- iv) The Administrators will consult the creditors' committee, if one is appointed, prior to making an application to the court under section 176A(5) of the Insolvency Act 1986 for an order not to distribute the prescribed part to unsecured creditors if the Administrators conclude that the cost of the distribution would be disproportionate to the benefit.
- v) Should a creditors' committee be formed and the Administrators consider that an extension beyond an administration's statutory duration of one year would be advantageous, the Administrators will consult with the committee prior to taking the necessary steps. If a creditors' committee is not appointed, the Administrators shall either apply to the court or seek a resolution of the appropriate classes of creditors for consent to an extension.
- vi) 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.
- vii) It is anticipated that matters in this regard will be resolved within the 12 months that the Administration Order is in force. However, in the event that delays are experienced in finalising matters, the Joint Administrators' term of office may be extended either by court order for a specified period or by consent of the creditors for a specified period not exceeding six months.

If this situation arises it may therefore become necessary at some future time for the Joint Administrators to seek creditor consent to extending the period of the administration for up to a further 6 months following the anniversary of the

appointment in order to ensure that the objective of the administration can be fully achieved.

In order to expedite matters, it is proposed that the Administrators have the discretion to extend the administration by court or otherwise, to save having to revert to creditors once more at a later stage

- viii) At present, it is not possible to determine with certainty whether a liquidation or dissolution will be the most appropriate exit route. It is therefore proposed that the Administrators use their discretion as soon as they are satisfied that they have fully discharged their duties and the purpose of the administration has been fully achieved as to which route to follow.

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

- (a) There are still a number of matters, to be dealt with. Once those matters are complete, the Administrators will place the Company into creditors’ voluntary liquidation. In these circumstances, it is proposed that Asher Miller and Henry Lan of David Rubin & Partners, 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. In accordance with Paragraph 83(7), Schedule B1, Insolvency Act 1986 and Rule 2.117(3) of the Insolvency Rules 1986, creditors may nominate alternative liquidators, provided that the nominations are made after the receipt of these proposals and before they are approved. If the Administrators feel it is necessary to appoint external liquidators, correspondence will be sent to all creditors requesting approval, or
- (b) once the realisations are complete, the Administrators will apply to the Court to allow the Administrators to distribute any surplus funds to unsecured non-preferential creditors. The Administration will then end by lodging form 2.35B with the Registrar. Under these provisions, on the registration of a notice sent by the Administrators to the Registrar of Companies, their appointment as Administrators will cease to have effect, and at the end of three months the company will automatically be dissolved.

Where the Administrators send such a notice of dissolution to the Registrar of Companies, they must also file a copy of the notice with the court and send a copy to each creditor of the company, and on application by any interested party the court may suspend or dis-apply the automatic dissolution of the company; or

- (c) in the event that there are insufficient realisations to enable a distribution to be made to unsecured non preferential creditors, it is proposed that the Administrators shall send notice to that effect to the Registrar of Companies. Upon registration of the form 2.35B the appointment of the Administrators shall cease to have effect.

- ix) 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 Insolvency Rules 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.
- x) If no creditors' committee is formed, the Administrators will be authorised to draw fees in respect of their time costs together with Category 2 disbursements. An extract from Statement of Insolvency Practice 9, "Creditors' guidance to fees in administrations", is enclosed. The Administrators' current charge out rates are set out at point 10 above.
- xi) That without prejudice to the provisions of Paragraphs 59 to 72 of Schedule B1 of the Insolvency Act 1986, 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.

13. CREDITORS MEETING

An initial creditors meeting will be held at 12 noon on Thursday, 5 June 2008 at the offices of David Rubin & Partners, 319 Ballards Lane, London N12 8LY to consider the Joint Administrators proposals and decide whether a creditors' committee should be formed.

Formal notice of the meeting, Form 2.20B, is attached with this report. Please note that you will be bound by our proposals if they are approved at the creditors' meeting by the requisite majority of creditors. It is therefore important that you read this document carefully. You may put forward any modifications that you wish to see incorporated into the proposals and make your views known on whether they should be accepted.

The following resolutions will be put to the creditors at the initial meeting of creditors.

First That the Administrators' proposals dated 21 May 2008 be adopted.

In the event that a creditors' committee is not appointed

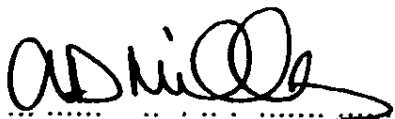
Second That the Administrators' expenses to enable them to complete form 2.2B, be paid.

Third. That the Administrators' fees 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 and that the Administrators be authorised to draw their fees from time to time.

Fourth. That the Administrators be authorised to draw Category 2 disbursements on account in accordance with their firm's policy as circulated from time to time, unless there is a creditors' committee, in which case the Administrators will approach the committee for approval.

Fifth: That the Administrators shall be discharged from liability in respect of any action taken as Administrators, two weeks after submitting the final progress report of the Administration to all known creditors.

Sixth: That a creditors' committee be formed if there are sufficient creditors willing to act

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

.....
ASHER MILLER – JOINT ADMINISTRATOR

21 May 2008

APPENDIX 1

STATUTORY INFORMATION

Date of incorporation:	16 February 1994																																																
Registered number:	2898956																																																
Registered Office:	c/- Nathan Maknight 1 Berkeley Street London W1J 8DJ																																																
Director:	Christopher Hughes																																																
Secretary:	Nathan Maknight Company Secretarial Limited																																																
Authorised Share Capital:	300,000 ordinary shares of £1 each, divided into 210,000 ordinary 'A' shares and 90,000 ordinary 'B' shares																																																
Issued Share Capital:	207,026 ordinary 'A' shares of £1 each 18,638 ordinary 'B' shares of £1 each																																																
Shareholders:	<table> <tr> <td colspan="2">Ordinary 'A' shares</td></tr> <tr> <td>Ian Gerard Barclay</td><td>100</td></tr> <tr> <td>Paul Anthony Brown</td><td>16,000</td></tr> <tr> <td>Andrew Scott Cherniavsky</td><td>24,333</td></tr> <tr> <td>Peter Michael Davies</td><td>59,000</td></tr> <tr> <td>Gloria Stamula Groom</td><td>1</td></tr> <tr> <td>Martin Edward Harrison</td><td>7,000</td></tr> <tr> <td>Thomas Havranek</td><td>4,233</td></tr> <tr> <td>Ian Henderson</td><td>33</td></tr> <tr> <td>Francis Henry MacKay</td><td>13,927</td></tr> <tr> <td>Michael J Mandl</td><td>4,233</td></tr> <tr> <td>Adrian Victor Poole-Robb</td><td>333</td></tr> <tr> <td>James Alexander Poole-Robb</td><td>1,300</td></tr> <tr> <td>Stuart Anthony Poole-Robb</td><td>65,333</td></tr> <tr> <td>Nicholas Saphir</td><td>2,000</td></tr> <tr> <td>Clive Strowger</td><td>4,700</td></tr> <tr> <td>Rashna Minoo Writer</td><td>4,500</td></tr> <tr> <td colspan="2">Ordinary 'B' shares</td></tr> <tr> <td>Thomas Alan Bailey</td><td>1,466</td></tr> <tr> <td>Trevor Bell</td><td>1,430</td></tr> <tr> <td>Paul Anthony Brown</td><td>14,000</td></tr> <tr> <td>Baron Hendrik Cosin</td><td>30</td></tr> <tr> <td>Ian Henderson</td><td>712</td></tr> <tr> <td>Michael Richardson</td><td>1,000</td></tr> </table>	Ordinary 'A' shares		Ian Gerard Barclay	100	Paul Anthony Brown	16,000	Andrew Scott Cherniavsky	24,333	Peter Michael Davies	59,000	Gloria Stamula Groom	1	Martin Edward Harrison	7,000	Thomas Havranek	4,233	Ian Henderson	33	Francis Henry MacKay	13,927	Michael J Mandl	4,233	Adrian Victor Poole-Robb	333	James Alexander Poole-Robb	1,300	Stuart Anthony Poole-Robb	65,333	Nicholas Saphir	2,000	Clive Strowger	4,700	Rashna Minoo Writer	4,500	Ordinary 'B' shares		Thomas Alan Bailey	1,466	Trevor Bell	1,430	Paul Anthony Brown	14,000	Baron Hendrik Cosin	30	Ian Henderson	712	Michael Richardson	1,000
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APPENDIX 2

THE MERCHANT INTERNATIONAL GROUP LIMITED - IN ADMINISTRATION

SUMMARISED ACCOUNTS

	Y/E 31-Nov-2007 Management £	Y/E 31-Dec-06 Management £	Y/E 31-Dec-05 As filed £	Y/E 31-Dec-04 As filed £	Y/E 31-Dec-03 As filed £	Y/E 31-Dec-02 As filed £
Turnover	972,536	1,832,533	2,415,283	1,736,991	1,813,952	1,348,992
Operating costs						
Directly attributable expenses	(479,156)	(467,057)	(715,591)	(479,491)	(549,498)	(450,375)
Administrative expenses	(738,279)	(1,394,060)	(1,589,714)	(1,361,157)	(1,232,425)	(764,462)
Extra ordinary income	277,072	0	0	0	0	0
Operating profit/(loss)	32,173	(28,584)	109,978	(103,657)	32,029	134,155
Interest payable and similar charges	(16,763)	(15,253)	(13,534)	(16,861)	(7,943)	(6,358)
Profit/(loss) on ordinary activities before taxation	15,410	(43,837)	96,444	(120,518)	24,086	127,797
Tax on profit on ordinary activities			(49,037)	15,174	(16,417)	(7,751)
Profit/(loss) on ordinary activities after taxation	15,410	(43,837)	47,407	(105,344)	7,669	120,046
Minority Interests			7,959	957	(595)	(1,865)
Profit/(deficit) transferred to reserves			55,366	(104,387)	7,074	118,181

THE MERCHANT INTERNATIONAL GROUP LIMITED
ESTIMATED STATEMENT OF AFFAIRS AS AT 28 MARCH 2008

	<u>Notes</u>	<u>Book Value £</u>	<u>Estimated To Realise £</u>
<u>ASSETS (SUBJECT TO FIXED CHARGE)</u>			
Goodwill and Intellectual Property	1	Nil	Uncertain
Shares in MIG Consulting GmbH	2	<u>29,785</u>	Uncertain
Less Royal Bank of Scotland Plc (1st charge holder)			<u>(86,614)</u>
Shortfall to Royal Bank of Scotland Plc			<u>(86,614)</u>
<u>ASSETS (SUBJECT TO FLOATING CHARGE)</u>			
Book debts	3	205,312	71,192
Office furniture & equipment	4	4,272	2,000
Unpaid share capital		41,000	Uncertain
Work in progress	5	Uncertain	Uncertain
<u>SURPLUS AVAILABLE TO PREFERENTIAL CREDITORS</u>			73,192
Employees' preferential claims			Uncertain
			<u>73,192</u>
<u>PRESCRIBED PART OF NET PROPERTY c/d</u>			<u>(17,638)</u>
<u>ASSETS AVAILABLE TO FLOATING CHARGE HOLDER</u>			55,554
Less Royal Bank of Scotland Plc b/d			<u>(86,614)</u>
<u>SHORTFALL AS REGARDS FLOATING CHARGE HOLDERS</u>			<u>(31,061)</u>
<u>PRESCRIBED PART AVAILABLE TO UNSECURED CREDITORS b/d</u>			17,638
<u>UNSECURED CREDITORS - as per list A attached</u>			
Trade and expense creditors	7	294,849	
HM Revenue & Customs (PAYE/NIC)		115,854	
Director's loan account		150,000	
			<u>(560,704)</u>
<u>DEFICIENCY AS REGARDS UNSECURED CREDITORS</u>			(543,065)
Shortfall to Royal Bank of Scotland Plc b/d			(31,061)
<u>DEFICIENCY AS REGARDS CREDITORS</u>			(574,126)
<u>SHARE CAPITAL - as per list B attached</u>			
225,664 ordinary shares of £1 each			<u>(225,664)</u>
<u>DEFICIENCY AS REGARDS CONTRIBUTORIES</u>			<u>(799,790)</u>

NOTES**1 *Goodwill & intellectual property***

The book value for the Company's goodwill & intellectual property was taken from its management accounts as at 30 November 2007. A total of £5,000 has attributed to these assets from the sale proceeds.

2 *Shares in MIG Consulting GmbH*

MIG Consulting GmbH, an entity incorporated in Austria, is a wholly owned subsidiary of the Company. The nature of this business is to provide strategic research and corporate intelligence to a range of clients. The value of the Company's shares will be determined in the course of the administration proceedings and realised for the benefit of the administration estate.

3 *Book debts*

At the date of appointment, the Company had a debtors' ledger with a book value of £205,312, comprising of invoices due from customers throughout the United Kingdom and Europe. From this amount, it was estimated that £71,192 would be collectable. Creditors should note that more than 50% of the Company's book debts are pre-billed invoices for which services were never provided.

As part of the sale of business, a portion of the book debts, totalling £127,937, were sold to Cerberus Corporate Intelligence Limited as part of the sale of business. Included in these 'transferred' book debts is a disputed amount of some £56,744, the recoverability of which is questionable. In this regard, a total of £85,000 has been attributed against the transferred book debts from the Company's sale proceeds.

The 'retained' book debts, totalling £77,375, will be attempted to be collected in the course of the administration. A significant portion of these debts are also disputed, so the level of realisations expected from this category of book debts is therefore uncertain.

4 *Office furniture & equipment*

The Company office furniture & equipment comprises of office desks and chairs, shelving, filing cabinets and computers.

5 *Work in Progress*

The Company's work in progress comprised of five projects, four of which were small jobs relating to monthly monitoring. The fifth project, which involved undertaking due diligence on behalf of the customer, was slightly larger but had yet to commence.

6 *Prescribed part*

Please refer to comments at pages 5&6 of this report.

7 *Trade & expense creditors*

The claims of trade and expense creditors are based upon the latest information available within the Company's books and records. Any variances between the Company's records and the amounts due as per the creditor records are subject to agreement. The amounts disclosed should not be taken as exact or binding upon the creditors.

Costs of the administration

The above figures do not take into account the costs of the administration.

THE MERCHANT INTERNATIONAL GROUP LIMITED - IN ADMINISTRATION

LIST A - UNSECURED CREDITORS

TRADE & EXPENSE CREDITORS

<u>NAME</u>	<u>ADDRESS</u>	<u>AMOUNT</u> £
Alpha Office Limited	Birches Estate Imberhorne Lane East Grinstead West Sussex RH19 1XL	540 96
The Anvil Group	Vicarage House 58-60 Kensington Church Street London W8 4DB	10,276 61
AXA PPP Healthcare	Phillips House Crescent Road Tunbridge Wells Kent TN1 2PL	831 27
Banham	10 Pascal Street London SW8 4SH	216 21
B G & a, Business Managers & Advisors	Graysted The Triangle Upper Basildon Berkshire RG8 8LU	8,788 15
Cerberus Security Group	c/- Nathan Maknight 1 Berkeley Street London W1J 8DJ	89,509 52
Cheval Property Management Limited	150 Brompton Road London SW3 1HX	59,666 22
De Pinna Notaries	35 Piccadilly London W1J 0LJ	810 59
Douglas Company Services Limited	44a The Green Warlingham Surrey CR6 9NA	11,110 00
Dubly	24, rue Tronchet 75008 Paris	400 00
The Financial Times	1 Southwark Bridge London SE1 9HL	28 80
FL Memo Limited	185 Park Street Bankside London SE1 9DY	87 00

THE MERCHANT INTERNATIONAL GROUP LIMITED - IN ADMINISTRATION

LIST A - UNSECURED CREDITORS

TRADE & EXPENSE CREDITORS

<u>NAME</u>	<u>ADDRESS</u>	<u>AMOUNT</u> £
Hyde Law	Griffin House 135 High Street Crawley West Sussex RH12 1DY	4,993 75
Internet Security Services Limited	Quayside House Thames Side Windsor Berkshire SL4 1QN	10,380 88
International Risk Control	2 Landsdowne Row Berkeley Square Mayfair London W1J 6HL	1,653 41
Knightsbridge Company Services Limited	Graysted The Triangle Upper Basildon Berkshire RG8 8LU	23,500 00
Kunz Schima Wallentin	Rechtsanwalte KEG Porzellangasse 4-6 A-1090 Wien Austria	1,689 05
Kroll Associates UK Limited	10 Fleet Place London EC4M 7RB	11,127 52
Langworth Limited	Badgers Main Roa Longfield Kent DA3 7PW	17,625 00
Mayer Brown Rowe & Maw Gaedertz	11 Pilgrim Street London EC4V 6RW	25,130 09
Namesco Limited	Acton House Perdiswell Park Worcester WR3 7GD	183 27
News International (Advertisements) Limited	Times Newspapers Classified Advertising PO Box 496 London E98 1SS	352 50
Sheraton Park Tower	101 Knightsbridge London SW1X 7RN	3,496 52
SPC Associates (UK) Limited	Darby Grange, Lynderswood London Road Braintree CM7 8QN	4,439 60

THE MERCHANT INTERNATIONAL GROUP LIMITED - IN ADMINISTRATION

LIST A - UNSECURED CREDITORS

TRADE & EXPENSE CREDITORS

<u>NAME</u>	<u>ADDRESS</u>	<u>AMOUNT</u> £
Stuart Poole-Robb	Top Flat 4A-5 William Street London SW1X 9HL	1,046 69
Telekom Austria TA AG	A-1020 Vienna Lassallestrape 9	213 95
Unskill NV	Serkampsesteenweg 52 B-9230 Wetteren Belgium	5,558 03
VTL (UK) Limited	Inbucon House Wick Road Egham Surrey TW20 0HR	954 10
Visualise Design & Print Limited	Unit E Sutherland House Sutherland Road London E17 6BU	239 70
Total		<u>294,849 39</u>

CROWN CREDITORS

Inland Revenue	Argyle House Room H601 3 Lady Lawson Street Edinburgh EH3 9SH	115,854 34
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CONNECTED CREDITORS

Peter Davies	32 Methley Street London SE11 4AJ	150,000 00
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THE MERCHANT INTERNATIONAL GROUP LIMITED - IN ADMINISTRATION

LIST B - SHAREHOLDERS

<u>NAME</u>	<u>ADDRESS</u>	<u>SHAREHOLDING</u>
Ian Gerard Barclay	5-8 Great Sutton Street London EC1V 0BY	100
Paul Anthony Brown	15 Digswell Road Welwyn Garden City Hertfordshire AL8 7PD	16,000
Andrew Scott Cherniavsky	Flat B, 18 Ellerdale Road London NW3 6BB	24,333
Peter Michael Davies	32 Methley Street London SE11 4AJ	59,000
Gloria Stamula Groom	Graysted, The Triangle Upper Basildon Near Reading Berkshire RG8 8LU	1
Martin Edward Harrison	Ballards Corner, Ballards Lane Limpsfield Surrey RH8 0SN	7,000
Thomas Havranek	Felbigerasse 132 1140 Vienna Austria	4,233
Ian Henderson	7 Philips Close Braintree Essex CM7 5DB	33
Francis Henry Mackay	Rusthall House Langton Road Tunbridge Wells Kent TN3 0BB	13,927
Michael J Mandl	Reibergasse 9-23/25 A-1230 Vienna Austria	4,233
Adrian Victor Poole-Robb	Top Flat 4A-5 William Street London SW1X 9HL	333
James Alexander Poole-Robb	Top Flat 4A-5 William Street London SW1X 9HL	1,300
Stuart Anthony Poole-Robb	Top Flat 4A-5 William Street London SW1X 9HL	65,333
Nicholas Saphir	11 John's Mews London WC1 2PA	2,000

THE MERCHANT INTERNATIONAL GROUP LIMITED - IN ADMINISTRATION

LIST B - SHAREHOLDERS

<u>NAME</u>	<u>ADDRESS</u>	<u>SHAREHOLDING</u>
Clive Strowger	High Veld, The Ridge Woldingham Surrey CR3 7AX	4,700
Rashna Minoo Writer	75 Havings Hill Chesham Buckinghamshire HP5 2PG	4,500
Thomas Alan Bailey	7 Bradbrook House Studio Place London SW1X 8EL	1,466
Trevor Bell	8433 Sawtooth Lane Longmont Colorado 80503 United States of America	1,430
Paul Anthony Brown	15 Digswell Road Welwyn Garden City Hertfordshire AL8 7PD	14,000
Baron Hendrik Cosijn	Flat A5, Sloane Avenue Mansions Sloane Avenue London SW3 3JF	30
Ian Henderson	7 Phillips Close Braintree Essex CM7 5DB	712
Michael Richardson	19 Mount Harry Road Sevenoaks Kent TN13 3JJ	1,000

APPENDIX 4

THE MERCHANT INTERNATIONAL GROUP LIMITED - IN ADMINISTRATION

JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT

FROM 28 MARCH 2008 TO 21 MAY 2008

	<u>Realised</u> <u>to-date</u> £
<u>Receipts</u>	
Book debts	85,000 00
Goodwill & intellectual property	5,000 00
Plant & machinery	19,999 00
Work in progress	1 00
Subtotal	<u>110,000 00</u>
<u>Payments</u>	
Legal fees	2,500 00
Statutory advertising	185 76
Subtotal	<u>2,685 76</u>
<u>Less: Distributions</u>	
Fixed & floating chargeholder - Royal Bank of Scotland plc	50,000 00
Receipts less payments	<u><u>57,314 24</u></u>
<u>Represented by</u>	
Balance at bank	56,844 23
VAT recoverable	470 01
	<u><u>57,314 24</u></u>

APPENDIX 5

THE MERCHANT INTERNATIONAL GROUP LIMITED - IN ADMINISTRATION ADMINISTRATOR'S TIME COSTS FOR THE PERIOD 28 MARCH 2008 TO 21 MAY 2008 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	06 54	31 36	19 42	00 42	58 54	11,664 00	198 03
Investigations	00 00	07 00	00 00	00 00	07 00	1,680 00	240 00
Realisations of assets	10 30	06 42	02 30	00 00	19 42	5,223 00	265 13
Creditors	05 54	13 54	13 24	00 00	33 12	6,190 00	186 45
Total hours and costs	23 18	59 12	35 36	00 42	118 48	24,757 00	208 39

The above headings include *inter alia*

Administration and Planning

case planning
appointment notification
maintenance of records
statutory reporting and compliance

Realisation of Assets

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

Investigations

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

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	280-380
Managers/Senior Managers	200-240
Administrators/Senior Administrators	90-120
Cashiers	75-120

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 Inland Revenue approved rate, currently 40p per mile