

The Insolvency Act 1986**Administrative Receiver's Report**

**Pursuant to Section 48(1) of the
Insolvency Act 1986 and Rule 3.8(3) of
the Insolvency Rules 1986**

To the Registrar of Companies

S.48(1)

For Official Use

--	--	--

Company Number

03555345

Insert full name of
Company

Name of Company

Lion Capital Partners plc

Insert full name and
Address

We Andrew Pepper
Kroll Limited
10 Fleet Place
London
EC4M 7RB

Alastair Beveridge
Kroll Limited
10 Fleet Place
London
EC4M 7RB

Delete as appropriate

Administrative Receivers of the company attach a copy of our report to creditors.

Signed

Michael Thomas

Date

7/10/05

Michael Thomas for Andrew Pepper

Presenter's name,
address and reference
(if any)

Michael Thomas
Kroll Limited
10 Fleet Place
London
EC4M 7RB

For Official Use

Insolvency Section

Post Room



A06
COMPANIES HOUSE

ADS0P9CP

0639
08/10/05

Corporate Advisory & Restructuring Group

Kroll



**Joint Administrative Receivers'
Section 48 Report to Creditors**

**Lion Capital Partners plc -
In Administrative Receivership**

8 October 2005

CONTENTS

- 1 Events Leading up to the Appointment of the Administrative Receivers
- 2 Receivers' Strategy and Disposal of Assets
- 3 Assets Subject to the Fixed Charge
- 4 Assets Subject to the Floating Charge
- 5 Estimated Outcome for Secured Creditor
- 6 Estimated Outcome for Preferential Creditors
- 7 Estimated Outcome for Unsecured Creditors
- 8 Directors' Estimated Statement of Affairs
- 9 Meeting of Creditors

APPENDICES

Statutory Information	Appendix A
Estimated Outcome Statement as at 8 October 2005	Appendix B
Directors' Statement of Affairs as at 28 July 2005	Appendix C

1 Events Leading up to the Appointment of the Administrative Receivers

- 1.1 Lion Capital Partners plc's (the **Company**) registered number is 03555345 and was incorporated on 29 April 1998 under the original name of Lion Technologies Limited. The Company subsequently changed its name to Lion Capital Partners plc on 30 April 2001.
- 1.2 A schedule of statutory information is attached at Appendix A.
- 1.3 The Company's main business is that of an investment business, investing in small start-up companies in order to make significant capital gains through realisation of them in the long term. Details of the Company's investments are included in Section 3.2 of this Report.
- 1.4 As at the date of appointment of the Joint Administrative Receivers, the Company did not have a formal trading address. Charles Bunker, of Kerburn Rose, managed the day to day running of the business from his own office in London.
- 1.5 The Company did not employ any staff.
- 1.6 A summary of the recent trading performance of the Company is detailed below:

£000	Draft accounts for the year ended 30 Sep 04	Audited accounts for the year ended 30 Sep 03	Audited accounts for the year ended 30 Sep 02
Turnover	51	788	1,707
Gross profit	51	788	1,707
Admin expenses	(157)	(1,088)	(3,580)
Operating profit / (loss)	(106)	(300)	(1,873)

- 1.7 The Company has been loss making for the past three years at an operating profit level. Continued losses led to an increase in liabilities, which, when coupled with legal action against the Company resulted in a need for additional funding. A failure to raise additional equity and an inability to refinance their secured debt ultimately led to the Company finding itself in an unsustainable position.
- 1.8 Accordingly, the Directors invited Bank of Scotland (the **Bank**), to appoint Administrative Receivers. Andrew Pepper and Alastair Beveridge were appointed as Joint Administrative Receivers on 28 July 2005 under a debenture dated 9 March 2000. Both Andrew Pepper and Alastair Beveridge are licensed by the Institute of Chartered Accountants in England and Wales.

2 Receivers' Strategy and Disposal of Assets

- 2.1 At the date of our appointment the Company's assets consisted of investments in start-up companies across a number of sectors and two specific loans.
- 2.2 The value of the investments is uncertain and difficult to quantify due to the nature of the investments. None of the investments are listed, which therefore means that the shares are not traded on the open market.
- 2.3 The Company's Directors have based their valuations on prices for rights issues and subscription prices and therefore these may not reflect the current realisable value of the shares due to a lack of a tradable market.
- 2.4 A number of the investee companies are loss making and have never recorded a profit. Valuing these businesses based on future profit streams is therefore difficult.
- 2.5 The Directors of each of the investee companies have been contacted and financial information has been obtained to assist in assessing the short to medium term value of the investments.
- 2.6 A number of potential investors have been contacted with the view to agreeing a potential sale of the investments. We propose to continue to hold these shares until an agreement is reached with a purchaser or a point in time when a market exists in which these shares can be realised at their inherent value.
- 2.7 Whilst the value of the investments can fall as well as rise, we do not anticipate a downside to the sales price occurring from the strategy outlined above.

3 Assets Subject to the Fixed Charge

- 3.1 The Company's fixed charge assets comprise solely of investments in start-up companies, comments for which are provided in the respective sections below.

Investments

- 3.2 A summary of the Company's investments as at our appointment is set out below:

Portfolio Investee	Ownership Percentage	Equity Held	Number of shares
Company A	2.04%	Ordinary Shares	233,200
Company B	2.06%	Ordinary Shares	1,593,539
Company C	15.00%	Ordinary Shares	150,000
Company D	8.59%	Ordinary Shares	86,550
Company E	10.00%	Ordinary Shares	1,000
Company F	3.30%	Ordinary Shares	2,713,619
Company G	10.00%	Ordinary Shares	5,000
Company H	12.50%	Ordinary Shares	1,250

4 Assets Subject to the Floating Charge

- 4.1 The major assets subject to the floating charge are loans and other amounts due to the Company. Comments on these assets are provided in the respective sections below.

Loan Notes

- 4.2 As at the date of appointment, the Company had outstanding loan notes totalling £400,500 due to them. The Company's Directors have significantly written down the value of these loans and we currently agree that there is unlikely to be a substantial return.

Other amounts due to the Company

- 4.3 The Company also made a significant loan of £1,942,000 which is secured by a floating charge and bears interest at the rate of 2% above base rate. We are in advanced negotiations with regard to securing repayment of this loan and interest.
- 4.4 For the purposes of our Estimated Outcome Statement we have assumed a total return of £1 million from all outstanding loans.

Stock

- 4.5 The Company did not have any stock.

Plant and Equipment

- 4.6 The Company did not have any plant or equipment

Motor Vehicles

- 4.7 The Company did not have any motor vehicles.

5 Estimated Outcome for Secured Creditor

- 5.1 At the date of our appointment the Company's indebtedness to the Bank was approximately £4.3 million excluding interest and charges and is secured by a fixed and floating charge debenture dated 9 March 2000. The likely return to the Bank is dependant upon the value realised from the investments held. Based on current estimates, we anticipate a shortfall for the secured creditor.

6 Estimated Outcome for Preferential Creditors

- 6.1 The Enterprise Act 2002, which was brought into force on 15 September 2003, abolishes Crown preference for all insolvencies commenced on or after 15 September 2003. The creditors, which may claim preferential status, are now limited to employees, in respect of arrears of wages up to a maximum of £800, accrued holiday pay entitlement and certain pension contributions. There are no preferential claims lodged or anticipated for the Company.

7 Estimated Outcome for Unsecured Creditors

- 7.1 As Administrative Receivers, we are not empowered to deal with the claims of unsecured creditors. Unsecured creditors are, however, invited to forward details of their claims to our office on the attached statement of claim form.
- 7.2 At the date of our appointment, the Company's unsecured creditors were estimated to be in the region of £962,000.
- 7.3 A copy of our Estimated Outcome Statement is attached at Appendix B.
- 7.4 We are unable to confirm at this stage whether there is any prospect of a receivership surplus being available to pass to a future Liquidator of the Company to distribute to unsecured creditors. For the purposes of this Report, we assume a nil return to unsecured creditors.

- 7.5 Creditors registered for VAT may be able to claim VAT bad debt relief in accordance with Section 36 of the VAT Act 1994. In broad terms, relief is available when the debt is six months old and "written off" by the creditor entering it on his VAT refunds for Bad Debts account. Insolvency Practitioners have no role in administering VAT bad debt relief. Creditors who are uncertain of how to claim should contact their VAT office or seek professional advice.

8 Directors' Estimated Statement of Affairs

- 8.1 In accordance with Section 47 (1) of the Insolvency Act 1986, the Administrative Receivers requested the Directors to provide a Statement of Affairs for the Company as at the date of appointment, which has been filed with Companies House. A sworn statement has been received and a summary of the Directors' Statement of Affairs is attached at Appendix C.
- 8.2 We have the following observations to make in relation to the Directors' Estimated Statement of Affairs:

The valuations included within the Directors' Statement of Affairs are based on historic prices paid for share options and subscriptions. These values are likely to be higher than what can currently be realised through selling the investments, as no tradable market to realise the investments currently exists.


The Company's investments are all held in start-up, unlisted Companies, with no track record of profits and limited forecasts. On this basis, we believe it is extremely difficult to predict the level of realisations.

9 Meeting of Creditors

- 9.1 The purpose of the meeting is to present this report to creditors and not for the purpose of appointing a Liquidator or discussing the Company's affairs prior to the receivership. You may therefore deem it unnecessary to attend.
- 9.2 Creditors should note that there is no requirement for the directors of the Company to be present at this meeting.

- 9.3 Creditors will be entitled to vote on the appointment of a creditors committee to assist the Administrative Receivers in the discharge of their duties, if deemed appropriate.

For and on behalf of
Lion Capital Partners plc



Andrew J Pepper
Joint Administrative Receiver

Statutory Information**Appendix A**

Company Number:	03555345
Directors at Date of Appointment:	Guy Fowler Oliver Parr Charles Bunker
Company Secretary:	Secretarial Solutions Limited 5 Old Bailey London EC4M 7JX
Registered Office:	c/o Kroll Limited 10 Fleet Place London EC4M 7RB
Previous Registered Office:	5 Old Bailey, London, EC4M 7JX
Shareholding:	5,091,366 Ordinary Shares
Held as follows:	838,246 held by Benchmark Group plc 412,065 held by Saifcom Establishment 372,224 held by Borodino Limited 301,996 held by John Kerslake 3,166,835 held by Others

Estimated Outcome Statement as at 8 October 2005

Appendix B

	Estimated to Realise £000
Assets Subject to Fixed Charge	
Investments	1,306
Less costs of receivership	(100)
Amount available to the Bank under its fixed charge	1,206
Amount due to the Bank (subject to interest and charges)	(4,347)
Surplus / (deficit) to the Bank under fixed charge	(3,141)
Assets Subject to Floating Charge	
Loans	1,000
Less costs of receivership	(50)
Preferential creditors	-
Surplus / (deficit) available for unsecured creditors	(2,191)

Directors' Statement of Affairs as at 28 July 2005

Appendix C

£	Cost / Book Value	Estimated Realisable Values
Assets Subject to Fixed Charge		
Investments	3,141,300	3,090,878
Less amounts due to the Bank	(4,346,765)	(4,346,765)
Estimated surplus / (deficit) available for the Bank under its fixed charge	(1,205,465)	(1,255,887)
Assets Subject to Floating Charge		
Loans	2,454,000	2,356,653
Total assets available for preferential creditors	2,454,000	2,356,653
Preferential creditors		-
Surplus / (deficit) after preferential creditors		2,356,653
Debts secured by a floating charge		(1,255,887)
Assets available to unsecured creditors		1,100,766
Non-Preferential Claims		
Lion Capital Advisers		388,619
GB Challenge		157,500
Tony Canning		130,164
Other		285,834
Total non-preferential claims		(962,117)
Surplus / (deficit) as regards creditors		138,649
Issued and called up capital		(509,000)
Surplus / (deficit) available for unsecured creditors		(370,351)