

The Insolvency Act 1986
Statement of Administrator's
Proposals
Pursuant to Section 23(1)(a) of
the
Insolvency Act 1986

S.23(1)(a)

To the Registrar of Companies

For Official Use

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Company Number

03923194

Name of Company

Insert full name of
company

Topnotch Health Clubs plc

Insert full name and
address

We Michael Johnathan Christopher
Oldham
186 City Road
London
EC1V 2NU

Simon Peter Bower

186 City Road
London
EC1V 2NU

administrator(s) of the company attach a copy of my/our proposals for achieving the purposes set out in the administration order filed herein. A copy of these proposals was sent to all known creditors on:

Insert date

21 November 2003

Signed



Dated

26.11.03

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

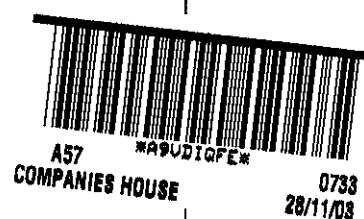
TOPNPLC
Topnotch Health Clubs plc

Michael Jonathan Christopher
Oldham
RSM Robson Rhodes LLP
186 City Road
London
EC1V 2NU

For Official Use

Insolvency Section

Post Room



RSM Robson Rhodes

21 November 2003

RSM Robson Rhodes LLP
186 City Road, London EC1V 2NU
T 020 7251 1644 F 020 7250 0801
www.rsmi.co.uk

TO ALL KNOWN CREDITORS

Our Ref: MJCO/DRO/JIG/JS

Please respond to: James Snowdon
Direct Dial: 020 7865 2761
Direct Fax: 020 7253 4629

Dear Sirs

TOPNOTCH HEALTH CLUBS PLC (in administration) ("PLC")
TNH REALISATIONS LIMITED (formerly TOP NOTCH HEALTH LIMITED) (in administration) ("TNH"),
collectively ("the Companies") (both in administration)

We enclose notice, under Section 23 of the Insolvency Act 1986, of meetings of creditors of the Companies to be held at the offices of RSM Robson Rhodes LLP at 186 City Road, London EC1V 2NU on 8 December 2003 at 10:30 a.m.

The purpose of the meeting will be to:

1. consider our proposals under Section 23(1) of the Insolvency Act 1986;
2. consider the establishment of a creditors' committee.

We also enclose a copy of our proposal together with a statement of events to date.

Yours faithfully
for and on behalf of
TNH Realisations Limited and
Topnotch Health Clubs PLC


M J C OLDHAM AND S P BOWER
Joint administrators

AS1
COMPANIES HOUSE

28/11/03

Enc

The affairs, business and property of the company
are being managed by the joint administrators.
The joint administrators act as agents of the
company and without personal liability.

RSM Robson Rhodes LLP is a
limited liability partnership and is
an independent member firm of
RSM International, an affiliation
of independent accounting and
consulting firms.

RSM Robson Rhodes LLP is registered to
carry on audit work by the Institute of
Chartered Accountants in England and
Wales and is authorised by the
Financial Services Authority
for Investment Business.

Offices at: Birmingham, Bristol, Cambridge,
Dublin, Edinburgh, Hemel Hempstead, Leeds,
Manchester. Registered office: 186 City Road,
London EC1V 2NU at which a list of members
may be inspected.
Registered in England and Wales No. 0C304188



INVESTOR IN PEOPLE

Rule 2.19

Form 2.11

**NOTICE OF CREDITORS' MEETINGS IN
ADMINISTRATION PROCEEDINGS**

IN THE MATTER OF

**Topnotch Health Clubs plc
TNH Realisations Limited (formerly Top Notch Health Limited)
(both in administration)
AND**

IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that a meeting of creditors in the above matter is to be held at 10.30 am on the 8 December 2003 at RSM Robson Rhodes, 186 City Road, London, EC1V 2NU, to consider our proposals under section 23(1) of the Insolvency Act 1986 and to consider establishing a creditors' committee.

Members of the above named companies can obtain copies of the administrators proposals by writing to the administrators at 186 City Road, London, EC1V 2NU.

A proxy form is enclosed which should be completed and returned to us by the date of the meeting if you cannot attend the meeting and wish to be represented. In order to be entitled to vote at the meeting you must give to us, not later than 12.00 hours on the business day before the day fixed for the meeting, details in writing of your claim.

Signed: 

Date: 20 November 2003

M J C OLDHAM and S P BOWER
Joint administrators

RSM Robson Rhodes
186 City Road
London
EC1V 2NU

**Topnotch Health Clubs plc and
TNH Realisations Limited**

1 STATEMENT OF PROPOSALS

- 1.1 In accordance with Section 23(1) of the Insolvency Act 1986, we Michael Johnathan Christopher Oldham and Simon Peter Bower, the joint administrators of Topnotch Health Clubs PLC ("PLC") and TNH Realisations Limited ("TNH") ("the Companies"), make the following proposals to creditors for achieving the purposes specified in the Administration Orders dated 8 September 2003. Approval of these proposals will be considered as a single resolution at a meeting of creditors of the company to be held at the offices of RSM Robson Rhodes LLP at 186 City Road, London EC1V 2NU on 8 December 2003 at 10:30 a.m.
- 1.2 *The proposals set out below are regarded by the Joint Administrators as the best way for maximising realisations of both company's assets and achieving the purposes specified in the Administration Order.*

PROPOSALS

It is proposed that in respect of both companies:

- 1 The joint administrators continue the administration for such a period of time as is required to complete the sale of any remaining assets, to agree and settle the administration trading costs and to deal with such other matters in relation to the business and affairs, property and assets of the company as the joint administrators consider necessary.
- 2 Having completed the trading transactions and sale of assets, to request the Court to discharge of the administration order and for the company to be placed into compulsory liquidation.
- 3 If a creditors' committee is established then that committee be authorised to sanction any proposed act on the part of the joint administrators without the need to report back to a further meeting of creditors.
- 4 If a creditors committee is formed, that committee be authorised to approve the fees and disbursements of the joint administrators. If no committee is formed, the joint administrators be entitled to draw fees at their standard rates and category 2 disbursements subject to there being sufficient available funds. Creditors will be notified of fees drawn with accordance to SIP9 revised. Please refer to appendix IV for a guide to administrators' fees.

**Topnotch Health Clubs plc and
TNH Realisations Limited**

2 INTRODUCTION

- 2.1 On 8 September 2003 Michael Johnathan Christopher Oldham and Simon Peter Bower of RSM Robson Rhodes LLP, 186 City Road, London EC1V 2NU were appointed joint administrators by order of the High Court of Justice (Manchester District Registry) following petitions by the respective companies.
- 2.2 The purpose for which the administration order were applied for and made, were as follows:
- i) The approval a voluntary arrangement under Part 1 of the Insolvency Act 1986.
 - ii) a more advantageous realisation of the company's assets than would be effected on a winding up.
- 2.3 There have been no subsequent variations in the purpose for which the Orders were made.

3 BACKGROUND AND STATUTORY INFORMATION

- 3.1 A summary of statutory information is attached as appendix 1
- 3.2 Following listing on the Alternative Investment Market of PLC, in March 2000, TNH was able to pursue an extensive roll out programme resulting in an increase in its portfolio from six sites at March 2000, to twenty sites by February 2002. This expansion program was funded by equity raised by PLC and bank debt.
- 3.3 The health and fitness sector had undergone a period of rapid expansion leading to fierce competition amongst the numerous operators; as a consequence some of the sites lost a large proportion of their membership and could not achieve sufficient profitability to service central overhead costs and debt. This placed pressure on the Group's cash flow and left it unable to meet its contractual loan repayments. Bank debt peaked at about £6.5 million in December 2002.
- 3.4 In order to reduce its indebtedness to the bank and to provide additional working capital TNH disposed of/closed eleven sites in the year prior to the appointment of administrators, crystallising book losses in the process, which gave rise to a net liability position on it and the Group's consolidated balance sheet.
- 3.5 The decline of the health and fitness sector led to depressed realisations from the disposals with the result that although the net proceeds available to the Group reflected a reasonable price given market conditions, they were lower than may have been hoped for if the Companies had had a greater period of marketing available to them in more favourable market conditions. The disposals generated gross proceeds of c. £6.6 million with c. £4 million applied against bank indebtedness.
- 3.6 As at the date of appointment, 8 September 2003, the remaining sites were as follows: -
- Birmingham West (contracts of sale exchanged on 26 August 2003 with completion set for 30 September 2003)
 - Bayswater
 - Croydon
 - Fulham
 - London Bridge
 - Northampton
 - Birmingham Central
 - Bristol
 - Bournemouth
 - Chesham
 - Waterloo (due to close for landlord redevelopment in October 2003).

**Topnotch Health Clubs plc and
TNH Realisations Limited**

- 3.7 Despite the disposal of a number of clubs TNH was unable to settle a number of significant liabilities, including deferred consideration of £0.7 million in respect of clubs acquired in 2000 and ongoing rent and service charge obligations in respect of three undeveloped sites amounting to c. £1.2 million per annum, for the next 25 years. The companies were unable to source finance from other sources to meet these liabilities, whether bank finance or fresh equity/shareholder investment.
- 3.8 Following independent advice from the Group's solicitors the directors of the Companies approached RSM Robson Rhodes LLP, who had previously performed an independent business review for National Westminster Bank Plc a year earlier, in late August 2003 and sought advice on the Group's situation and the options open to it given its financial difficulties, with a view to seeking the protection of a formal insolvency procedure.

4 FINANCIAL POSITION

- 4.1 PLC is the ultimate parent company of the Group. It is listed on the Alternative Investment Market although its shares have now been suspended.
- 4.2 TNH is a 100% subsidiary of PLC. TNH has a 100% subsidiary called Helios Leisure Limited.
- 4.3 *Helios Leisure Limited was the freehold owner of the premises of the Birmingham West site operated by TNH. Contracts of sale of this business property were exchanged on 26 August 2003. The net disposal proceeds were covered by the bank under the terms of its' security. The site was operated until completion on 30 September 2003, when ownership passed to Vision Fitness Limited group.*
- 4.4 The Group's principal trading entity is TNH. There is no material difference between the consolidated trading results of the Group and the individual results of TNH. The parent undertaking, PLC, does not trade and has no assets and liabilities, except for its investment in its subsidiary and the amounts owed by its subsidiary undertaking, which cancel out upon consolidation.
- 4.5 A summary of the Group's consolidated trading results are set out below: -

£'000	Year to 30/04/01 Audited	Year to 30/04/02 Audited	Year to 30/04/03 Mgt	Period to 31/07/03 Mgt
Turnover	8,865	13,780	15,170	2,702
Operating loss (after exceptional costs)	(256)	(2,537)	(8,243)	(456)
Loss before tax	(270)	(2,968)	(8,969)	(625)

- 4.6 The substantial losses incurred since 2001 comprise losses from operating activities of TNH amounting to c. £2 million and c. £11 million relating to exceptional charges arising from losses on disposal of fixed assets and impairment of fixed assets of TNH.

**Topnotch Health Clubs plc and
TNH Realisations Limited**

4.7 A Summary of the Group's balance sheets are set out below: -

£'000	As at 30/04/01 Audited	As at 30/04/02 Audited	As at 30/04/03 Mgt	As at 31/07/03 Mgt
Fixed assets	14,425	19,483	14,256	6,211
Net current liabilities	(2,309)	(4,833)	(5,310)	(4,318)
Total assets less current liabilities	12,116	14,650	8,946	1,893
Creditors due after more than one year	(1,826)	(7,328)	(7,477)	(4,165)
Net worth	10,290	7,322	1,469	(2,272)
Capital and reserves:				
Called up equity share capital	163	163	163	163
Share premium account and other reserves	10,752	10,752	10,752	10,752
Profit and loss account	(625)	(3,593)	(9,446)	(13,187)
Shareholders' funds	10,290	7,322	1,469	(2,272)

4.8 The Companies were insolvent since their liabilities exceeded assets, there was a deficit of £2.3m as at 31 August 2003 per the management accounts, the Companies were also insolvent since they could not pay their liabilities as and when they fall due pursuant to Section 123 of the 1986 Act, the Companies also had unsatisfied statutory demands outstanding at the date of our appointment.

5 STATEMENT OF AFFAIRS

5.1 The directors have prepared and sworn formal Statements of Affairs, which are attached as Appendix II. We comment on this as follows:

5.2 PLC's statement of affairs states that its only assets were a shareholding in TNH and intercompany debt of £10.2m the directors accurately reflect that the expected realisation is nil and accordingly a deficit of £163,000 exists, which represents the nominal value of shares issued.

5.3 TNH's statement of affairs contains an amount due to debenture holder of £2,590,651, which is understated by over £1m. We believe that the directors may have accidentally omitted the liability on a mortgage. After a provision for the trading loss and professional fees we do not anticipate any surplus for preferential creditors and accordingly it is very unlikely that any funds will be available for unsecured creditors.

6 ADMINISTRATORS TRADING

6.1 On appointment we concluded that there was little possibility of obtaining value for the businesses unless they remained operating and we decided to do so for a limited period whilst buyers were sought, implementing some cost saving measures.

6.2 The clubs operated at a loss, currently estimated at £199,000 for the first eight weeks trading period of the administration, to 31 October 2003. This figure has not yet been finalised as collection and allocation of incomes and expenses between the Companies and the purchasers of the businesses has not yet been completed.

**Topnotch Health Clubs plc and
TNH Realisations Limited**

7 SALES OF THE BUSINESSES

7.1 We advertised the business for sale in the Financial Times business for sale section, and our agents contacted people on their database of interested parties and industry contacts by letter and telephone. 64 information packs were sent out to interested parties and a considerable number of these made further enquiries after receiving the information pack.

7.2 We have now sold or closed all the clubs, we summarise the disposals/closure as follows:

Purchaser - Topnotch Fitness

7.3 On 26 September 2003 eight clubs were sold to Topnotch Fitness Ltd (formerly Halco 929 Ltd), a start up company backed by a consortium of investors including Matthew Harris, former managing director of the Companies. The purchase consideration £2.55m was in excess of all the other offers received both in terms of the amount and the time period for payment of the consideration. The clubs sold to Topnotch Fitness Ltd were as follows:

Bayswater
Croydon
London Bridge
Birmingham Central
Bournemouth
Bristol
Chesham
Northampton

Vision Fitness Limited

7.4 Contracts for the sale of Birmingham West had been entered into prior to our appointment, we completed the sale on 2 October 2003 with the transfer of business effective from close of business on 30 September. This realised a gross total of £1.3m before costs and other retentions. To date of £1,197,581 has been paid to the chargeholder.

Hamsard 2669 Limited

7.5 We sold the business of the Fulham club on 7 November 2003 to Hamsard 2669 Limited for a consideration of £40,000. Hamsard 2669 Limited is a recently incorporated company controlled by Mr Mario Pedezolli. Under the sale agreement the club will no longer be branded "Topnotch" and the name of the company may change to reflect any new brand image.

7.6 The sale price achievable for Fulham was depressed due to a number of factors; the rent and rates were considered high by the interested parties, we had already sold the equipment that was free from finance and there was extensive competition in local market following the opening of both a David Lloyd and a Cannons Club nearby. Accordingly membership numbers had dropped by 40% over the last year.

Waterloo

7.7 The Waterloo site was due to handed back to the Landlords for re-development and accordingly we closed the club on 30 September 2003, we have agreed £12,000 compensation from the Landlords, which is expected to be received shortly.

8 SECURED CREDITOR

8.1 National Westminster Bank plc have debentures containing fixed and floating charges over the assets of the companies and we give below an estimate of the outcome of the realisations, showing the estimated shortfall on the security.

**Topnotch Health Clubs plc and
TNH Realisations Limited**

	Fixed charge £'000's	Floating charge £'000's	Total £'000's
Sale of businesses	3,485	405	3,890
Trading loss (est)		(199)	(199)
Other realisations		59	59
Other costs and contingency	(25)	(77)	(102)
Professional fees			
Administrators' fees (est)	(96)	(70)	(166)
Legal Fees (est)	(65)	(58)	(123)
Valuer/agent (est)	(60)	(60)	(120)
	<hr/> 3,239	<hr/> 0	<hr/> 3,239
Due to Secured Creditor	(3,601)		(3,601)
Shortfall to secured creditor	<hr/> (362)	<hr/> 0	<hr/> (362)

- 8.2 The Bank is therefore likely to suffer a shortfall and there are no funds likely to come available for payment of preferential or unsecured claims.

9 ADMINISTRATORS FEES

- 9.1 The administrators have agreed with the primary charge holder, National Westminster Bank Plc, to cap their fees on a formula basis until such time as the Bank has been repaid in full. We expect that the Bank will not be repaid in full, and our estimate of fees is based on the likely amount falling due under the agreement with the Bank,
- 9.2 A summary of our costs to 7 November 2003 on a normal time charge basis is attached as appendix III. , In relation to our fees for floating charge realisations we propose that these should be paid on a time cost basis, subject to sufficient funds being available and subject to the cap agreed with National Westminster Bank plc, whilst the conditions for that cap persist.
- 9.3 In summary we have proposed that our fees should be paid on a time costs basis, but note they are likely to be significantly constrained by agreement with the primary charge holder and funds available.

10 ADMINISTRATORS' PROPOSALS

- 10.1 The purpose of achieving a more advantageous realisation of the company's assets than would be effected on a winding up, as set out in the order of 8 September 2003 will have been achieved.
- 10.2 The process of realising assets is close to completion and there is no prospect of a dividend becoming available for payment of any preferential or unsecured claims.
- 10.3 Therefore we propose that once we have completed dealing with the trading liabilities and disposal of assets, we should apply to court for our release and the appointment of the Official Receiver (from the Insolvency Service) of the Department of Trade) as liquidator of all of the companies.

11 MEETING OF CREDITORS

- 11.1 A meeting of creditors is required to be held for each company to consider the administrators' report and proposals. However, in this case we consider that it is more convenient for all concerned to hold the meetings simultaneously although separate voting for each company

**Topnotch Health Clubs plc and
TNH Realisations Limited**

may be necessary. A formal notice of the meeting at 10:30 on 8 December 2003 at our offices at 186 City Road, London EC1V 2NU is attached.

- 11.2 At that meeting the creditors may approve, reject or seek to amend the administrators' proposals, appoint a committee of creditors and raise any matters of concern.
- 11.3 You do not need to attend the meeting in person and may appoint a proxy to vote on your behalf. Any corporate body (such as a limited company) will need to appoint an individual (with alternatives if appropriate) in order to be represented. A form of proxy is attached. If you consider that you have separate claims against different companies, please feel free to copy the proxy form and indicate to which company each relates and the amount of each claim.

Should you wish to discuss this report further, please do not hesitate to contact either Robin Oakes on 020 7865 2125 or James Snowdon on 020 7865 2761.

Key Statutory Information

	Topnotch Health Clubs PLC	THN Realisations Ltd
Registered Number	03923194	02598276
Date of Incorporation	10 February 2000	4 April 1991
Registered Office	254-258 North End Road	254-258 North End Road
(As at date of appointment)	Fulham	Fulham
	London	London
	SW6 1NJ	SW6 1NJ
Directors	Matthew Harris	Matthew Harris
	Emma Edwards	Mark Green
	Mark Green	Emma Edwards
	Alison Dungworth	Alison Dungworth
	Stephen Gilbert	
	Charles Scott	
Company Secretary	David Pennington	David Pennington
Authorised Share Capital	£250,000	£500,000
Issued Capital	£163,071	£392,000
Register of charges & mortgages	None registered	National Westminster Bank PLC, various charges registered summarised as follows:
(For further information please refer to the register of charges filed at companies house)		

Created	Short particulars
07/08/1998	F/H Raynesway Leisure club
12/08/1998	L/H Chesham
15/10/1999	L/H Maidstone
18/01/2001	L/H Birmingham West
18/01/2001	L/H Bournemouth
29/03/2001	L/H Fulham
29/03/2001	L/H Croydon
29/03/2001	L/H Wembley
07/09/2001	Debenture (Fixed and Floating)
07/10/2001	L/H Bayswater
04/07/2002	Kingston Upon Thames (Fixed charge)
HSBC Bank Pension Trust UK Ltd	
07/12/2000	£20,482 secured on rent deposit

Rule 2.12

[A.3.21.2A]

Statement of Affairs

In the _____ No. _____ of _____

Statement as to the Affairs of Topnotch Health Clubs Plc

on the 8 September 2003 the date of the administration order.

Affidavit

This affidavit must be sworn before a solicitor or commissioner of oaths or an officer of the court duly authorised to administer oaths when you have completed the rest of this form.

(a) Insert name and occupation

I (a)

MATTHEW CROFTER HARRIS

(b) Insert full address

of (b)

45 ST HUBERTS CLOSE, GERRARDS
CROSS BUCKS SL9 7EN

(c) Insert date of administration order

make oath and say that the several pages exhibited hereto and attached marked Trade Credits are to the best of my knowledge and belief a full, true and complete statement as to the affairs of the above named company as at (c) 8 September 2003 the date of the administration order and that the said company carried on business as

HEALTH CLUBS

Sworn at

110 Cannon Street (Nicholson Graham & Jones)

Dated

7th November

Signature(s)

[Signature]

Before me

OLIVER PICKINGTON

A solicitor or Commissioner of Oaths or duly authorised officer

The Solicitor or Commissioner is particularly requested, before swearing the affidavit, to make sure that the full name, address and description of the Deponent are stated, and to initial any crossings out or other alterations in the printed form. A deficiency in the affidavit in any of the above respects will mean that it is refused by the court, and will necessitate its being re-sworn.

A - Summary of Assets

ASSETS	Book Value £	Estimated to realise £
Assets specifically pledged:-		
INVESTMENT IN TOPNOTCH HEALTH LIMITED	98,000	NIL
AMOUNT RECEIVABLE FROM TOPNOTCH HEALTH LIMITED	10,187,900	NIL
Assets not specifically pledged:-		
Estimated total assets available for preferential creditors	10,285,900	NIL

Signature



Date 7-11-03

A1 - Summary of Liabilities

		Estimated to realise £
Estimated total assets available for preferential creditors (carried from page A)		£ NIL
Liabilities		
Preferential creditors:-		£
Estimated deficiency/surplus as regards preferential creditors		£
Debts secured by a floating charge:-		£
Estimated deficiency/surplus of assets available for non- preferential creditors		£
Non-preferential claims:-		£
Estimated deficiency/surplus as regards creditors		£
issued and called up capital:-		£ 163,071
Estimated total deficiency/surplus as regards members		£ 163,071 DEFICIENCY

Signature



Date

7-11-03

COMPANY CREDITORS

Note You must identify creditors under hire-purchase, chattel leasing or conditional sale agreements and customers claiming amounts paid in advance of the supply of goods or services and creditors claiming retention of title over property in the company's possession.

[illegible]

Signature

Date 7-11-03

Statement of Affairs

In the

No.

of

Statement as to the Affairs of

Top Notch Health Limited

on the 8 September 2003

the date of the administration order.

Affidavit

This affidavit must be sworn before a solicitor or commissioner of oaths or an officer of the court duly authorised to administer oaths when you have completed the rest of this form.

(a) Insert name and occupation

I (a)

MATTHEW CROFTER HARRIS

(b) Insert full address

of (b)

45 ST HUBERTS CLOSE, GERRARDS
CROSS BUCKS SL9 7EN

(c) Insert date of administration order

make oath and say that the several pages exhibited hereto and attached marked Trade Creditors are to the best of my knowledge and belief a full, true and complete statement as to the affairs of the above named company as at (c) 8 September 2003 the date of the administration order and that the said company carried on business as

Health clubs

Sworn at

110 Cannon Street (Nicholson Graham & Jones)

Dated

7th November 2003

Signature(s)

[Signature]

Before me

CLIVE PILKINGTON

A solicitor or Commissioner of Oaths or duly authorised officer

The Solicitor or Commissioner is particularly requested, before swearing the affidavit, to make sure that the full name, address and description of the Deponent are stated, and to initial any crossings out or other alterations in the printed form. A deficiency in the affidavit in any of the above respects will mean that it is refused by the court, and will necessitate its being re-sworn.

A - Summary of Assets

ASSETS	Book Value £	Estimated to realise £
Assets specifically pledged:-		
INVESTMENT IN SUBSIDIARY, LEASEHOLD PROPERTY, PROPERTY IMPROVEMENTS	3,835,607	3,260,399
Assets not specifically pledged:-		
PLANT AND EQUIPMENT (NET OF FINANCE)	1,400,764	350,191
FIXTURES AND FITTINGS	549,790	219,916
MOTOR VEHICLES	11,698	5,849
STOCK	25,755	5,151
TRADE DEBTORS	69,469	34,735
OTHER DEBTORS	47,520	23,760
	5,940,643	3,900,000
CASH	42,644	42,644
<u>LESS: AMOUNT DUE TO DEBENTURE HOLDER</u>	(2,590,651)	(2,590,651)
Estimated total assets available for preferential creditors	3,392,636	1,351,993

Signature



Date

7-11-03

A1 - Summary of Liabilities

		Estimated To realise £
Estimated total assets available for preferential creditors (carried from page A)		£ 1,351,993
Liabilities		
Preferential creditors:-		£
TAXATION AND SOCIAL SECURITY	65,373	65,373
VAT	118,638	118,638
Estimated deficiency/surplus as regards preferential creditors		£ 1,167,982
Debts secured by a floating charge:-		£
Estimated deficiency/surplus of assets available for non- preferential creditors		£
Non-preferential claims:-		£
TRADE CREDITORS	3,461,905	3,461,905
MEMBERSHIP SUBSCRIPTIONS PAID IN ADVANCE	346,435	346,435
LANDLORD LOAN	1,056,240	1,056,240
		4,864,580
Estimated deficiency/surplus as regards creditors		£ 3,696,598
Issued and called up capital:-		£391,696 391,696
Estimated total deficiency/surplus as regards members		£ 4,088,294 DEFICIENCY

Signature



Date

7.11.03

COMPANY CREDITORS

Note
You must identify creditors under hire-purchase, chattel leasing or conditional sale agreements and customers claiming amounts paid in advance of the supply of goods or services and creditors claiming retention of title over property in the company's possession.

[illegible]

Signature

Date _____

2-11-03

Summary of administrators time costs and disbursements

Hours Summary Activity	Grade			Total
	Administrator	Manager	Partner	
Business sale\interested parties	37.30	83.50	97.40	218.20
Creditors	143.90	11.10		155.00
Employees	23.50	15.90		39.40
Planning,internal compliance	20.00	107.00	3.00	130.00
Property		41.10		41.10
Other realisations	375.50	156.80		532.30
Stat duty\reporting	118.20	28.10	6.60	152.90
Grand Total	718.40	443.50	107.00	1,268.90

£ Summary Activity	Grade			Total
	Administrator	Manager	Partner	
Business sale\interested parties	4,849.00	19,027.50	36,525.00	60,401.50
Creditors	16,509.50	2,332.50		18,842.00
Employees	2,542.50	3,736.50		6,279.00
Planning,internal compliance	1,000.00	18,515.00	1,125.00	20,640.00
Property		9,658.50		9,658.50
Other realisations	35,052.50	26,648.00		61,700.50
Stat duty\reporting	9,977.80	6,278.00	2,475.00	18,730.80
Grand Total	69,931.30	86,196.00	40,125.00	196,252.30

Average rate

154.66

DISBURSEMENTS

Fares, taxis etc	265.70
Employee subsistence	71.35
Insolvency bond	1,230.00
Other	8.47
Mileage	79.58

1,655.10

[A.6.3.2]
06/02

A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

ENGLAND AND WALES

1 Introduction

1.1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

2 The nature of administration

2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court in order to achieve one or more of the following statutory purposes:

- ☐ the survival of the company and its business in whole or in part;
- ☐ the approval of a company voluntary arrangement;
- ☐ the sanctioning of a scheme under section 425 of the Companies Act 1985;
- ☐ a better realisation of assets than would be possible in a liquidation.

Administration may be followed by a company voluntary arrangement or liquidation.

3 The creditors' committee

3.1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is established at the meeting of creditors which the administrator is required to hold within 3 months of the administration order to consider his proposals. The administrator must call the first meeting of the committee within 3 months of its establishment, and subsequent meetings must be held either at specific dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide such information as it may require.

4 Fixing the administrator's fees

4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.47 of the Insolvency Rules 1986, which states that it shall be fixed either:

- ☐ as a percentage of the value of the property which the administrator has to deal with; or
- ☐ by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is fixed as a percentage, to fix the percentage to be applied. Rule 2.47 says that in arriving at its decision the committee shall have regard to the following matters:

- ☐ the complexity (or otherwise) of the case;
- ☐ any responsibility of an exceptional kind or degree which falls on the administrator;
- ☐ the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- ☐ the value and nature of the property which the administrator has to deal with.

4.2 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

5 What information should be provided by the administrator?

5.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The administrator should always make available an up-to-date receipts and payments account. Where the fee is to be charged on a time basis the administrator should be prepared to disclose the amount of time spent on the case and the charge-out value of the time spent, together with such additional information as may reasonably be required having regard to the size and complexity of the case. Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be contracted out which would normally be undertaken directly by an administrator or his staff.

5.2 The payment of expenses and disbursements is not subject to approval by the committee or the creditors. However, where an administrator makes, or proposes to make, a separate charge by way of expenses and disbursements to recover the cost of facilities provided by his own firm, he should disclose those charges to the committee or the creditors when seeking approval of his fees, together with an explanation of how those charges are made up and the basis on which they are arrived at.

6 What if a creditor is dissatisfied?

6.1 If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

7 What if the administrator is dissatisfied?

7.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

8 Other matters relating to fees

8.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors. If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

Proxy (Administration)

Topnotch Health Clubs PLC

Name of Creditor _____

Address _____

Name of Proxy Holder

Please insert name of person (who must be 18 or over) or the Chairman of the Meeting. If you wish to provide for alternative proxy holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well

1 _____

2 _____

3 _____

Please delete words in brackets if the proxy holder is only to vote as directed i.e. he has no discretion

I appoint the above person to be my/the creditor's proxy holder at the meeting of creditors to be held on 8 December 2003, or at any adjournment of that meeting. The proxy holder is to propose or vote as instructed below (and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion).

Voting Instructions for resolutions

*Please delete as appropriate

1. For the acceptance/rejection* of the administrator's proposals/revised proposals* as circulated

2. For the appointment of

of

representing _____

as a member of the creditors' committee

This form must be signed

Signature _____ Date _____

Name in CAPITAL LETTERS _____

Only to be completed if the creditor has not signed in person

Position with creditor or relationship to creditor or other authority for signature

Remember: there may be resolutions on the other side of this form

Proxy (Administration)

TNH Realisations Limited

Name of Creditor _____

Address _____

Name of Proxy Holder

Please insert name of person (who must be 18 or over) or the Chairman of the Meeting. If you wish to provide for alternative proxy holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well

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