

The Insolvency Act 1986

Administrator's progress report

2.24B

| | |
|--|-----------------------------------|
| Name of Company The Debt Advisor Group plc | Company Number 04728183 |
| In the High Court of Justice, Chancery Division Manchester District Registry (full name of court) | Court case number 2764 of 2007 |

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

We (a) Russell Stewart Cash and Michael Horrocks of
PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

(b) Insert dates

administrator(s) of the above company attach a progress report for the period

from

to

(b) 29 June 2007

(b) 28 December 2007

Signed

R. Stewart Cash
Joint / Administrator(s)

Dated 24 January 2008

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.

| | |
|--|-------------------|
| Paula Uttley | |
| PricewaterhouseCoopers LLP, Benson House, 33 Wellington Street, Leeds, LS1 4JP | |
| | Tel 0113 289 4909 |
| DX Number | DX Exchange |



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COMPANIES HOUSE

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

FRIDAY

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds LS1 4JP
Telephone +44 (0) 113 289 4000
Facsimile +44 (0) 113 289 4460
www.pwc.com/uk

When telephoning please ask for
Mr. [redacted] on 0113 289 4909

To all known creditors of the Company

24 January 2008

Our ref RSC/JEL/PU/TDAGplc/D420N

Dear Sirs

COMPANIES HOUSE

The Debt Advisor Group plc (formerly Compass Finance Group plc) – in administration ("the Company")

In accordance with Rule 2.47 of the Insolvency Rules 1986 ("IR86"), the Joint Administrators ("the Administrators") write to creditors to provide details of the progress of the Administration of the Company in the six months since the Administrators' appointment on 29 June 2007.

1 Statutory and financial information

We enclose the following for your information:

- Appendix A Statutory information,
- Appendix B Administrators' receipts and payments accounts to 28 December 2007,
- Appendix C Extract from the Administrators' proposals dated 21 August 2007, and
- Form 2.24B Administrators' progress report

2 Overview of the administration

Russell S Cash and Michael Horrocks were appointed Administrators of the Company on 29 June 2007. We formed the view that the Company had insufficient property to enable a distribution to be made to unsecured creditors other than potentially by virtue of the Prescribed Part as provided for by Section 176A Insolvency Act 1986 ("IA86"). Accordingly, by virtue of Paragraph 52(1) Sch B1 IA86, a meeting of creditors was not convened. The Administrators' proposals for achieving the purpose of the administration ("the Proposals") were deemed to have been approved 12 days after their circulation on 21 August 2007 in accordance with Rule 2.33(5) of the IR86.

The purpose of an administration is to achieve one of the following objectives:

- (a) Primarily, rescuing the Company as a going concern, or failing that
- (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 finally
- (c) Realising property in order to make a distribution to one or more secured or preferential creditors

As detailed in our Proposals dated 21 August 2007, objective (b) is being pursued and an extract from the proposals is attached to this report at Appendix C

3 Steps taken by the Administrators

Following our appointment on 29 June 2007, 70 employees were made redundant on 30 June 2007, leaving 10 employees to continue the existing business of the Company

The consumer loans business of the Company was traded from the date of our appointment until 26 July 2007. Trading ceased on this date because the sale of the database and server was to conclude on 27 July 2007, our agents had substantially removed the chattel assets available for sale by then and there was a need to exit the leasehold premises to avoid ongoing property and lease costs

It was our view that a better realisation of assets could be achieved by taking the above actions than if trading had continued beyond 26 July 2007, particularly as no new business was accepted after our appointment. 'Pipeline' work was continued with. All remaining employees were made redundant by 27 July 2007.

A sale of the customer database and server to a third party completed on 27 July 2007 for £150,000

Our agents removed the chattel assets, including office furniture and IT equipment, for sale to third parties or return to lessors where applicable. The unencumbered chattel assets were sold on a piecemeal basis by private treaty and auction and £33,968 was realised.

The property occupied by the Company was on a leasehold basis and the Landlord had obtained a walking possession order on 15 May 2007. Following our appointment, the landlord agreed to a payment of £11,612 from the unencumbered chattel assets sale in settlement of the walking possession order. Surrender of the property lease to the landlord was completed on 5 October 2007.

The book debts of the Company related to commissions due in respect of mortgages and unsecured loans brokered by the Company and £100,000 was due at the time of our appointment. This included £55,000 due from one debtor who has offset its debt against advances made by it to the Company of £60,000 for marketing expenditure. Realisations from this source are £40,711. In addition £81,287 was recovered in respect of prepayments on the Company's franking machine prior to our appointment.

The balances held in the Company bank accounts at the date of our appointment in the total sum of £16,598 have been recovered in addition to £216 cash in hand. Some £19,300 has been paid to the relevant broker in respect of customer payment protection insurance premiums which were client monies held in trust by the Company.

The Debt Advisor Group plc – in administration

24 January 2008

Our ref RSC/JEL/PU/TDAGplc/D420N

Administrators' trading

From 29 June 2007, the Company has been financed by debtor book realisations arising from sales made before our appointment, and the completion of 'pipeline' work

To date, post appointment trading sales of £123,959 have been achieved from commissions on consumer loans cases completing after the date of our appointment

On 2 August 2007, the remaining 'pipeline' of active customer cases, within the consumer loans business, was sold to a third party for 50% of the net commission to be earned upon case completion. An amount of £28,850 was realised from this source

The principal payments that have been made since the date of appointment relate to employee costs, rent, utilities and insurance

Further payments in respect of non-domestic rates and records storage are anticipated for commitments made by the Company, acting by its Administrators for third party services provided after our appointment

With the exception of the above, we believe that all liabilities in respect of the supply of goods and services which were authorised by the Administrators have now been settled in full. Please telephone Paula Uttley on 0113 289 4909 if you have any queries in this respect

Distribution to Bank of Scotland

Bank of Scotland ("BoS") hold a fixed and floating charge over the Company's assets which was created on 8 March 2004. A distribution has not yet been made by the Company to BoS under their charge. However, £670,000 has been distributed to BoS under their charge by D A Realisations Limited (formerly The Debt Advisor Limited), the subsidiary company which is also in Administration. This money has been paid under a cross-guarantee given by the Company as detailed below

4 Receipts & payments account

Attached at Appendix B is an abstract of the receipts and payments of the Company, to 28 December 2007

5 Administrators' remuneration

Our remuneration is approved by the secured creditor of the Company. To date we have drawn remuneration of £111,739

6 Estimated outcome for creditors

BoS held a cross guarantee which obliged the Company to guarantee the liabilities of the subsidiary company, D A Realisations Limited (formerly The Debt Advisor Limited), to BoS and vice versa. It is presently anticipated that BoS will suffer a shortfall under its security.

The directors statement of affairs estimated the preferential claims of holiday pay of the employees to be £40,000. These claims are in the process of being agreed. We anticipate that the preferential creditors will be paid in full by the end of March 2008.

There will not be a dividend to non-preferential unsecured creditors of the Company other than by virtue of the Prescribed Part as provided for by Section 176A IA86. The Prescribed Part is currently estimated to be a maximum of £26,000 before costs. Unsecured creditors, as estimated in the directors statement of affairs, are £1,926,804. However, it is anticipated that the final level of unsecured claims will be in excess of £2,000,000. Therefore, the estimated level of dividend which may be available by virtue of the Prescribed Part will be less than 1p in the £.

There is currently some uncertainty regarding whether a floating charge holder can participate in the distribution of the Prescribed Part to the extent of its shortfall. Therefore, the distribution of the Prescribed Part to unsecured creditors will be delayed until this issue has been resolved, hopefully following the outcome of cases currently being brought before the courts.

However, the claims of the unsecured creditors are in the process of being agreed. If you have not yet submitted a claim and wish to do so, please complete the enclosed statement of claim form and return it to this office marked for the attention of Paula Uttley.

As stated above, the estimated dividend which may be available by virtue of the Prescribed Part will be less than 1p in the £. Should you therefore not wish to submit a claim, please confirm this by completing the enclosed form and returning it to this office marked for the attention of Paula Uttley or by fax to 0113 289 4580.

7 Ending the administration

The current view of the Administrators is that there will be insufficient funds available for a distribution to the unsecured creditors other than by virtue of the Prescribed Part as provided for by Section 176A IA86.

An application to court has been made for permission for the Administrators to distribute the Prescribed Part funds to the unsecured creditors and permission was granted on 26 October 2007.

Once the objective of the Administration has been achieved and following the distribution to unsecured creditors, the Administrators will file notice under Paragraph 84(1) Sch B1 IA86 with the Registrar of Companies to end the Administration. Following this registration, the Company will be dissolved three months later.

The administrators consider it possible that the administration will be concluded within one year, but if this is not possible they will seek the consent of the secured creditor and preferential creditors (the latter being more than 50% by value who respond) to extend the period of administration for a maximum of 6 months.

The Debt Advisor Group plc – in administration
24 January 2008
Our ref RSC/JEL/PU/TDAGplc/D420N

8 Future reporting

Pursuant to Rule 2.47 of the Rules, I will provide you with a further report in six months time, or at the end of the administration, whichever is sooner

Should you have any further questions, please do not hesitate to contact my colleague Paula Uttley on 0113 289 4909

Yours faithfully
for and on behalf of the Company



Russell S Cash
Joint administrator

Enclosures Appendix A – Statutory information
Appendix B – Joint administrators' abstract of receipts and payments
Appendix C – Extract from joint administrators proposals
Form 2.24B – Administrators progress report

R S Cash and M Horrocks were appointed joint administrators of The Debt Advisor Group plc on 29 June 2007 to manage its affairs, business and property as its agents and without personal liability. Both are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Appendix A: Statutory and other information

| | | |
|--|--|--|
| Court details for the Administration. | | High Court of Justice, Chancery Division, Manchester District Registry 2764 of 2007 |
| Full name. | | The Debt Advisor Group plc |
| Trading name | | Compass Finance |
| Registered number: | | 04728183 |
| Registered address: | | PricewaterhouseCoopers LLP, Benson House, 33 Wellington Street, Leeds, LS1 4JP (formerly 2 nd Floor, Warwick House, Hollins Brook Way, Pilsworth, Bury, BL9 8RR) |
| Company directors: | | Richard Hughes, Grenville Folwell, Michael Fort, Mike Sutcliffe, Simon Cotterill |
| Company secretary. | | Simon Cotterill |
| Shareholdings held by the directors and secretary: | | Richard Hughes – Ordinary 0.5p – 6,011,010 Grenville Folwell – Ordinary 0.5p – 441,667 Michael Fort – Ordinary 0.5p – 3,025,019 Mike Sutcliffe – Ordinary 0.5p – 25,000 Simon Cotterill – No shares held |
| Date of the Administration appointment: | | 29 June 2007 |
| Administrators' names and addresses. | | Russell S Cash and Michael Horrocks PricewaterhouseCoopers LLP, 101 Barbirolli Square, Lower Mosley Street, Manchester, M2 3PW |
| Appointor's / applicant's name and address. | | Directors appointment |
| Objective being pursued by the Administrators: | | Objective (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) |

Appendix A: Statutory and other information

| | |
|--|--|
| Division of the Administrators' responsibilities: | In relation to paragraph 100(2) Sch B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by an Administrator may be done by either or both of the Administrators acting jointly or alone |
| Proposed end of the Administration: | The administrators consider it possible that the administration will be concluded within one year, but if this is not possible they will seek the consent of the secured creditor and preferential creditors (the latter being more than 50% by value who respond) to extend the period of administration for a maximum of 6 months. The administrators intend to make a distribution by virtue of the Prescribed Part to the unsecured creditors in the Administration following which the Administrators will file notice under Paragraph 84(1) Sch B1 IA86 with the Registrar of Companies to end the Administration. Following this registration, the Company will be dissolved three months later |
| Estimated dividend for unsecured creditors: | Less than 1p in the £, only by virtue of the Prescribed Part as provided for by Section 176A IA86 |
| Estimated values of the Prescribed Part and the Company's net property. | Based on current information, the Administrators believe that the estimated value of the Company's net property is up to £115,000 and that there may be a Prescribed Part of a maximum of £26,000 before costs |
| Whether and why the Administrators intend to apply to court under Section 176A(5) IA86: | The Administrators think that the cost of making a distribution to unsecured creditors would not be disproportionate to the benefits, therefore, they have not applied to the court for consent that the Prescribed Part shall not apply. Instead, an order was granted on 26 October 2007 permitting the Joint Administrators to make a payment by way of distribution to creditors who are neither secured nor preferential pursuant to paragraph 65(3) of Schedule B1 to the Insolvency Act 1986 |
| The European Regulation on Insolvency Proceedings (Council Regulation(EC) No 1346/2000 of 29 May 2000): | The European Regulation on Insolvency Proceedings applies to this Administration and the proceedings are main proceedings |

Appendix B: Administrators' receipts and payments account

| Receipts and payments account for the period from 29 June 2007 to 28 December 2007 | | | | |
|--|-------------------|---|---|-------------------|
| Receipts | £ | Payments | £ | £ |
| Sale of office equipment | 33,968 27 | Storage | | 1,015 20 |
| Sale of database | 150,000 00 | Statutory advertising | | 113 58 |
| Book debts | 40,711 53 | Bank charges | | 210 00 |
| Balance at bank | 16,598 27 | Payment Protection Plan insurance | | 19,299 73 |
| Cash in hand | 216 46 | Landlord distraint | | 11,612 00 |
| Refunds | 81,312 21 | Agents fees and expenses | | 21,359 32 |
| Interest received gross | 4,498 62 | Legal fees and expenses | | 47,621 05 |
| Administrators trading (see separate trading account attached) | 84,530 16 | Office holders fees and expenses | | 113,600 06 |
| | | Irrecoverable VAT (not VAT registered) | | 32,142 12 |
| | <u>411,835 52</u> | | | <u>246,973 06</u> |
| | | Balance in hand (High Interest Current Account) | | <u>164,862 46</u> |

Appendix B: Administrators' receipts and payments account

| Administrators Trading account for the period from 29 June 2007 to 28 December 2007 | | | |
|---|-------------------|--|------------------|
| Receipts | £ | Payments | £ |
| Post appointment sales | 123,959 39 | Net wages | 19,213 24 |
| Other trading income | 9,644 18 | PAYE/NIC | 10,467 17 |
| Rent received | 3,038 10 | Pensions and life policies | 55 61 |
| Contribution to costs for utilities | 740 00 | Employee related costs | 190 00 |
| Employee services and expense costs recovered | 94 50 | Employee expenses | 175 00 |
| Postage costs recovered | 182 72 | Insurance | 2,229 74 |
| Sale of work in progress * (see note 1 below) | 28,850 07 | Cleaning and site clearance costs | 3,692 00 |
| | | Rent and service charges | 28,746 61 |
| | | Security | 1,080 00 |
| | | Heat, light, power and water | 3,250 95 |
| | | Telephone | 2,980 94 |
| | | Motor and travel expenses | 12 00 |
| | | IT costs | 175 00 |
| | | Duress payments | 3,000 00 |
| | | Petty cash | 8 55 |
| | | Irrecoverable VAT (not VAT registered) | 6,701 99 |
| | <u>166,508 96</u> | | <u>81,978 80</u> |
| | | Current balance c/f to Receipts and Payments Account | <u>84,530 16</u> |

Note 1 – The work in progress sold to a third party was work accepted by the Company prior to the Administrators appointment and then progressed by the Company in Administration until cease of trading on 26 July 2007

Appendix C: Extract from the Administrators' proposals dated 21 August 2007

b Proposals for achieving the purpose of the Administration

The Administrators make the following proposals for achieving the purpose of administration

- i) The Administrators will continue to manage the Company's affairs and property in such manner as they consider expedient with a view to 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
- ii) The Administrators may investigate and, if appropriate, pursue any claims that the Company may have under the Companies Act 1985 or IA86 or otherwise. 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 or for any other purpose incidental to these proposals
- iii) If the Administrators think that funds will become available for unsecured creditors, the Administrators may at their discretion establish in principle the claims of unsecured creditors for adjudication by the Administrators or a subsequent liquidator and the costs of so doing can be met as a cost of the Administration out of the Prescribed Part as costs associated with the Prescribed Part
- iv) If the Administrators think that funds will become available for unsecured creditors, the Administrators may at their discretion make an application to court for permission to make distributions to unsecured creditors under Paragraph 65(3) Sch B1 IA86
- v) As the Administrators currently hold the view that there will be insufficient funds to enable a distribution to be made to unsecured creditors other than potentially by virtue of the Prescribed Part as provided for by Section 176A IA86, they are not seeking to form a creditors' committee
- vi) Should the Administrators conclude that the cost of making a distribution to unsecured creditors by virtue of the Prescribed Part would be disproportionate to the benefits then the Administrators will make an application to the court under Section 176A(5) IA86 for an order not to distribute the Prescribed Part to unsecured creditors
- vii) Should it become apparent that an extension is required to the Administrators' term of office the Administrators shall either apply to the court or seek consent from the appropriate classes of creditors as defined in (ix) below
- viii) The Administrators may use any or a combination of "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 cost effective and practical in the present circumstances -
 - (a) Once asset disposals are complete, the Administrators will apply to the Court to allow the Administrators to distribute surplus funds, if any, to unsecured non-preferential creditors. If such permission is given, the Administration will be brought to an end by notice to the Registrar of Companies under Paragraph 84 Sch B1 IA86, following registration of which the Company will be dissolved three months later. If permission is not granted the Administrators will place the Company into creditors' voluntary liquidation or otherwise act in accordance with any order of the court
 - (b) Alternatively, once asset disposals are complete, the Administrators may place the Company into creditors' voluntary liquidation. In these circumstances, it is proposed that Russell S Cash and Michael Horrocks 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) Sch B1 IA86 and

Appendix C: Extract from the Administrators' proposals dated 21 August 2007

Rule 2.117(3) IR86, creditors may nominate alternative liquidators, provided that the nomination is made after the receipt of these proposals and before they are approved

- (c) If there are insufficient funds with which to make a distribution to unsecured non-preferential creditors, once all of the assets have been realised and the Administrators have concluded all work within the Administration, the Administrators will file a notice under Paragraph 84(1) Sch B1 IA86 with the Registrar of Companies to end the Administration, following registration of which the Company will be dissolved three months later

- ix) The Administrators shall be discharged from liability pursuant to Paragraph 98(1) Sch B1 IA86 in respect of any action of theirs as Administrators at a time resolved by the secured creditor, or if a distribution has been or may be made to the preferential creditors, at a time resolved by the secured and preferential creditors or in any case at a time determined by the Court

- x) It is proposed that the Administrators' fees be fixed under Rule 2.106 IR86 by reference to the 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 Category 2 disbursements (as defined by Statement of Insolvency Practice No 9) be charged in accordance with their firm's policy. As the Administrators have stated that they think that the Company has insufficient property to enable a distribution to be made to non-preferential unsecured creditors other than potentially by virtue of Section 176A IA86, it will be for the secured creditor and if appropriate the preferential creditors, to determine these

**The Debt Advisor Group plc (formerly Compass Finance Group plc) – In Administration
("the Company")**

Name of Creditor

I understand that there may be a distribution of less than 1p in the £ available to the unsecured creditors of the Company by virtue of the Prescribed Part as provided for by Section 176A IA86

I confirm that I do not wish to make a claim in the administration of The Debt Advisor Group plc

Please return to my colleague, Paula Uttley on Fax 0113 289 4580

If making a claim please disregard this form and send your completed statement of claim form, together with the appropriate supporting documentation, marked for the attention of Paula Uttley to the office address at the front of this report

Signed

Print Name

Position with creditor (director/secretary etc)

The Debt Advisor Group plc - in Administration – statement of claim

| | |
|---|--|
| Creditor's name and address | |
| Total amount of your claim, including any VAT at the date the administration commenced | £ |
| Please provide details of any documents that substantiate your claim including where applicable, details of any reservation of title in respect of goods to which the debt relates If relevant, please attach a statement of account | |
| What goods or services did you provide? | |
| Is all or part of your claim preferential as defined in the Insolvency Act 1986? (see footnote) If so, please provide details where indicated, otherwise leave this section blank | Category Amount (s) claimed as preferential £ |
| If you have security for your debt, please provide details of the type and value of the security, the date it was given, and provide details of how you have valued your security If no security held, leave this section blank | |
| We have a duty as administrators to consider the conduct of the directors prior to our appointment. Are there any particular matters relating to the purchase of goods and services from yourselves, or any other matters that you feel should be reviewed? If so, please provide brief details on this form, or on a separate sheet if there is insufficient room | |
| Signature of creditor or person authorised to act on behalf of the creditor | Date |
| Name in block capitals | |
| Position with or relation to the creditor (e.g. director, company secretary, solicitor) | |

TDAGplc/D355E

Categories of preferential creditors are defined in section 386 of the Insolvency Act 1986 (amended by the provisions of section 251 of the Enterprise Act 2002) as contributions to occupational pension schemes, remuneration and accrued holiday pay of employees, amounts due in respect of monies advanced to pay remuneration and accrued holiday pay, amounts ordered to be paid under the Reserve Forces (Safeguard of Employment) Act 1985 and levies on coal and steel production