

**2.24B****Administrator's progress report**

Name of Company Country Artists Limited	Company number 04930506
In the High Court of Justice, Chancery Division, Birmingham District Registry	Court case number 4973 of 2007

We  
Mark Jeremy Oton  
KPMG LLP  
2 Cornwall Street  
Birmingham B3 2DL  
United Kingdom

Allan Watson Graham  
KPMG LLP  
2 Cornwall Street  
Birmingham B3 2DL  
United Kingdom

Administrators of the above company attach a progress report for the period

from	to
13 August 2007	12 February 2008
Signed	
	Joint Administrator
Dated	21 February 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.

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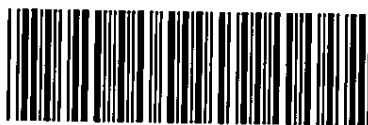
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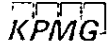


**Country Artists Group Limited  
(in administration)**

Report to Creditors pursuant to Rule 2.47 of  
the Insolvency (Amendment) Rules 2003  
21 February 2008

KPMG Restructuring

MJO/WW/SH/Report to creditors



*Country Artists Group Limited  
(in administration)*

*KPMG LLP  
21 February 2008*

## **Contents**

1	Introduction	1
2	Joint administrators proposals	1
3	Purpose of the administration	1
4	Progress of the administration	2
5	Future strategy	3
6	Future Reporting	3

## 1 Introduction

Creditors have previously been informed that at the request of the Company, acting by its directors, Mark Jeremy Oton and Allan Watson Graham of KPMG LLP, 2 Cornwall Street, Birmingham, B3 2DL, were appointed as Joint Administrators of Country Artists Group Limited ('Group') on 13 August 2007 in the High Court of Justice, Chancery Division, Birmingham District Registry. The Court Administration Order number is 4973 of 2007.

In accordance with Paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 the functions of the Joint Administrators can be exercised by any of the administrators.

In accordance with Rule 2.47 of the Insolvency (Amendment) Rules 2003 we are writing to provide an update on the progress of the first 6 months of the administration covering the period 13 August 2007 to 12 February 2008. We also enclose forms 2.24B providing formal notice to that effect.

An abstract of receipts and payments accounts for the periods 13 August 2007 to 12 February 2008 is attached as Appendix 4. Other information required by Rule 2.47 of the Insolvency (Amendment) Rules 2003 is attached at Appendix 1.

The report also includes certain information required to be provided to creditors in accordance with Rule 2.33 of the Insolvency (Amendment) Rules 2003.

Group is a holding company which does not trade but owns 100% of the share capital of Country Artists Ltd ('Company') which was a designer and distributor of resin based models. It traded from Wellesbourne Business Park in Wellesbourne near Stratford. Mark Jeremy Oton and Allan Watson Graham were also appointed joint administrative receivers of the Company on 10 August 2007. Shortly following our appointment Company's name was changed to CAR Realisations Ltd and the majority of the assets were sold to Enesco Ltd.

Company has provided debentures and cross guarantees to Group's bankers, asset based funder and second charge holders in respect of Group borrowings.

## 2 Joint administrators proposals

It was the initial opinion of the Administrators that the Company did not have any assets to enable a distribution to be made to unsecured creditors. As a result the administrators elected not to hold a meeting of creditors. The administrator's proposals were approved pursuant to paragraph 52 of Schedule B1 of the Insolvency Act 1986 on 13 September 2007.

## 3 Purpose of the administration

As previously reported the purposes of the administration were to -

- 1) rescue the company as a going concern
- 2) achieve a better result for the company's creditors as a whole than would be likely if the company was wound up and
- 3) to realise property in order to make a distribution to one or more secured or preferential creditors. In this case the third of these purposes has proved to be achievable through the sale of the Company's assets in order to make distributions to secured creditors

## 4 Progress of the administration

### 4.1 Secured creditors

At the time of appointment the indebtedness of the parties was

- Lloyds TSB Bank Plc ("Bank") - £2.125m (Capital element £2.095m)
- Lloyds TSB Commercial Finance Ltd ("LTSCF") - £0.91m
- ISIS Equity Partners LLP ("ISIS") - £5.257m (Capital element £4.58m)

As a result of the call under the Bank's cross guarantee we expect a full repayment of the Bank's indebtedness from the Company's asset realisations.

LTSCF's indebtedness has been repaid to them from debtor realisations which were assigned to them under the terms of an invoice finance agreement dated 24 June 2004.

Any surplus after costs will be paid to ISIS Equity Partners Ltd, after prescribed part, as second charge holders.

With the exception of a small residual of debtor balances the assets from the Company have now been realised.

We are now in the process of agreeing payments to secured creditors out of these realisations.

### 4.2 Unsecured creditors

Given the extent of the secured debt (totalling £8.292m), we do not anticipate any realisations to unsecured creditors of Group but there will be realisations via prescribed part in Country Artists Ltd.

### 4.3 Preferential creditors

Given that Group had no employees there are no preferred claims.

### 4.4 Administrators' time costs

KPMG time costs up to 21 January 2008 were £15,769.34. A creditors' guide to fees is enclosed at Appendix 2.

Since there will be no realisations within Group the Administrators do not intend to draw any remuneration in respect of the work carried out on the administration.

4.5 *Other matters*

EC regulations will apply and these proceedings will be the main proceedings as defined in Article 3 of the EC Regulations. The centre of main interest of the Company is in England within the EC.

5 **Future strategy**

The Joint Administrators are in the process of taking the necessary steps to conclude the administration in accordance with the proposals agreed by creditors.

6 **Future Reporting**

In accordance with Rule 2.47 of the Insolvency (Amendment) Rules 2003, the next progress report is due within 1 month of the discharge of the administration order.

Should any creditor require further information, please contact my colleague, Sam Hancock on 0121 609 5870.

Yours faithfully  
For and on behalf of Country Artists Group Limited



Mark Orton  
*Joint Administrator*

The affairs, business and property of the company are being managed by the joint administrators. The joint administrators contract without personal liability.  
Allan Watson Graham is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales.  
Mark Jeremy Orton is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association.

## Appendix 1

### Country Artists Group Limited - Statutory information

Date of incorporation	13 October 2003
Company registration number	04930506
Present registered office	C/o KPMG 2 Cornwall Street Birmingham B3 2DL
Previous registered office and trading address	Country Artists House Loxley Rd Wellesbourne CV35 9JY
Issued share capital	2,053,500 ordinary shares of 5p nominal value  2,220,000 ordinary B shares of 5p nominal value  5,660,000 ordinary A2 shares of 1p nominal value  1,000,000 ordinary A2 shares of 1p nominal value
Shareholders	Baronsmead VCT Plc, Baronsmead VCT2 Plc Baronsmead VCT3 Plc, Baronsmead VCT4 Plc, R Cooper, FIS Nominee Ltd, R Hawkings, R Fams, C Winstone, S Ashton, G Rutter, D Blakeman
Directors	S Ashton - 222,000 ordinary shares D Blakeman - 222,000 ordinary shares T Tallis J Aspinall
Company secretary	David Blakeman
Employees	None

## Appendix 2

### 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 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 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. The administrator of a company must perform his functions with the objective of

- rescuing the company as a going concern, or
- 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
- realising property in order to make a distribution to one or more secured or preferential creditors.

- 2.2 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 three and a maximum of five 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 ten weeks of the administration order to consider his proposals. The administrator must call the first meeting of the committee within three months of its establishment, and subsequent meetings must be held either at specified 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 2.106 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.

- 4.2 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 to be fixed as a percentage, to fix the percentage to be applied. Rule 2.106 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 assets which the administrator has to deal with.

- 4.3 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 a 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 a 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 in the insolvency, profit costs may not be paid unless authorised by the committee, the creditors or the court.

Whilst every care has been taken in its preparation, this statement is intended for general guidance only.



*Country Artists Group Limited  
(in administration)*

*KPMG LLP  
21 February 2008*

## Appendix 3

Administrators receipts and payments account for the period 13 August 2007 to 12 February 2008

**Country Artists Group Limited**  
**(In Administration)**

**Administrators' Abstract Of Receipts And Payments**  
**To 12 February 2008**

RECEIPTS	Total (£)
	<u>0 00</u>
PAYMENTS	
	<u>0 00</u>
Balances in Hand	<u>0 00</u>
	<u>0 00</u>