

The Insolvency Act 1986

2.17B

## Statement of administrators' proposals

Name of Company Country Artists Group Limited	Company number 04930506
In the High Court of Justice, Chancery Division, Birmingham District Registry {full name of court}	Court case number 4973 of 2007


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

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

attach a copy of our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on 13 September 2007

Signed

  
Joint Administrators

Dated

13 September 2007

## 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 researchers of the public record.

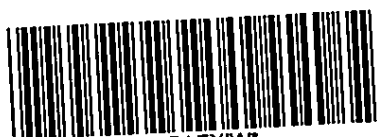
Danielle Powell  
KPMG LLP  
2 Cornwall Street  
Birmingham B3 2DL  
United Kingdom

Number DX 709850 Birmingham 26

Tel 0121 609 5872  
DX Exchange

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

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

Report to Creditors pursuant to Paragraph  
49 of Schedule B1 of the Insolvency Act  
1986  
13 September 2007

KPMG Restructuring

MJO/WW/SH/Report to creditors





*Country Artists Group Limited  
(in administration)*

*KPMG LLP  
13 September 2007*

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## **1 Introduction**

At the request of the Company, acting by the directors Mark Jeremy Oton and Allan Watson Graham of KPMG LLP 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 Paragraph 49 of Schedule B1 of the Insolvency Act 1986 the Joint Administrators now set out their proposals for achieving the purpose of the administration and for the conduct of the administration.

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

The appropriate statutory information is set out in Appendix 1.

## **2 Background**

Group is a holding company which does not trade but owns 100% of the share capital of Country Artists Ltd ( 'Company') which is a designer and distributor of resin based models. It trades 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.

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

## **3 Events leading to the Administrators' appointment**

Over recent years Group and its subsidiary have incurred substantial losses. The Companies trading results for recent periods are as follows:

	Y/e 31 Dec 2004	Y/e 31 Dec 2005	Y/e 31 Dec 2006
	£'000	£'000	£'000
Sales	14 088	11 637	9 000
Operating profit/(loss)	1,484	373	50
Profit/(Loss) on ordinary activities before tax	1,468	(101)	(774)

Losses for the first 4 months of 2007 were estimated at c£870k

In 2004 ISIS Equity Partners LLP purchased the majority shareholding of the Group

The decline in performance in 2005 was mainly due to the fall in the major sales channel of the Company, independent gift retailers. This followed an increase in its cost base in anticipation of sales growth.

The Company responded to the falling sales by realigning its cost base, however in late 2006 one of the Company's major suppliers failed to meet order schedules and this resulted in a significant stock shortage which adversely impacted sales over the Christmas period.

As a result Company faced a significant cash shortfall and a decision was taken to conduct a strategic review to consider sale and refinancing options.

The sales process was undertaken over a period of four weeks, and involved contacting 21 potential interested parties following extensive buyer research.

Nine interested parties visited the premises and as at 21 June 2007 eight indications of interest were received.

A deadline of 29 June 2007 for offers was set and five offers were received.

At the end of the sales process an independent competitor, Enesco Ltd, emerged as the preferred bidder for the business. However, mindful of the significant debt held by Company, they were unwilling to purchase the share capital. Instead they proposed that a purchase of the goodwill and assets, excluding debtor book, and less costs be made for £2.525m. Messrs GVA Grimley valued the tangible assets at c£230k on an 'ex-situ' basis.

Having robustly tested the marketplace the stakeholders felt that this offer represented by far and away the best result for creditors as a whole in the absence of any other viable option.

Faced with no alternative source of required funding the directors considered that they had no alternative other than to place Group and Company into formal insolvency proceedings. On 10 August 2007 the directors requested that the Bank appoint Allan Graham and myself as joint administrative receivers of Company under the terms of their mortgage debenture dated 15 October 1991.

Immediately following appointment the goodwill and all assets of Company, excluding the debtor book, were sold for £2.525m to Enesco Ltd. Debtors on appointment totalled £1.509m.

On 13 August 2007, the directors took the decision to appoint administrators to Group.

Group was placed into administration and notification of the appointment was filed in the High Court of Justice, Chancery Division, Birmingham District Registry on 13 August 2007.

## **4 Purpose and progress of the administration**

### **4.1 *Purposes of the administration***

The purposes of an administration are to

- 1) Rescue the company as a going concern, or
- 2) Achieve a better result for the company's creditors as a whole than would be likely if the company was wound up, or
- 3) To realise property in order to make a distribution to one or more secured or preferential creditors.

As discussed above, Group has no realisable assets, and carries the debt of the group. We do not anticipate any material asset realisations. We will look to seek a discharge of the administration order when all matters regarding the subsidiary Company have been concluded.

### **4.2 *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 ("LTSB CF") - £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.

We anticipate LTSB CF's indebtedness will be repaid to them from debtor realisations which were assigned to them under the terms of an invoice finance agreement dated 24 June 2004.

In the event that LFSB CF are repaid in full any surplus after costs will be paid to ISIS Equity Partners Ltd after prescribed part as second charge holders

**4.3 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 may be realisations via prescribed part in the Company

**4.4 Preferential creditors**

Given that Group had no employees, we do not anticipate any preferred claims

**4.5 Administrators' time costs**

KPMG time costs up to 7 September 2007 were £4,436.50. 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 fees in respect of the work carried out on the administration.

**4.6 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 Creditors' meeting**

There is no requirement for Administrators to convene meetings of creditors to approve their proposals where they believe that neither of the following objectives can be achieved:

- Rescuing the company as a going concern, or
- Achieving a better result for creditors as a whole than would be likely if the company were wound up, without first being in administration.

As a result the administrators have elected not to hold a meeting of creditors. They are entitled to make such an election pursuant to paragraph 52 of Schedule B1 of the Insolvency Act 1986.

## 6 Administrators' proposals

The Joint Administrators propose the following

- to continue to do all such things reasonably expedient and generally exercise all their powers as Joint Administrators as they in their discretion, consider desirable in order to fulfil the objective of maximising realisations for the Company,
- In pursuing this objective the administrators will have the power to take all necessary steps to propose a Company Voluntary Arrangement between the Company and its creditors, if this is deemed to offer the best prospect of maximising realisations for the benefit of creditors,
- As an alternative, the administrator will take the necessary steps to put the Group into either creditors' voluntary liquidation or into compulsory liquidation or arrange for the Company to be dissolved, as deemed appropriate by the Joint Administrators,
- If creditors' voluntary liquidation is deemed appropriate, the Joint Administrators be permitted to seek the appointment of Mark Jeremy Orton and Allan Watson Graham of KPMG LLP as joint liquidators of Country Artists Group Limited without any further recourse to creditors. In accordance with paragraph 83(7) and Rule 2.117(3), creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of the proposals and before the proposals are approved,
- to seek an extension to the administration period if deemed necessary by the Joint Administrators,
- that in the event that no creditors committee is formed, the Joint Administrators be authorised to draw fees on account from the assets of Country Artists Group Limited from time to time, during the period of the administration, based on time properly spent by KPMG LLP. Time costs incurred by the administrator are to reflect the complexity of the assignment. Also, that the Joint Administrators be authorised to draw disbursements from time to time,
- that the costs of KPMG LLP in respect of tax, VAT and pension advice provided to the Joint Administrators be based upon time costs and shall be paid out of the assets of Country Artists Limited,
- That the joint administrator's be discharged from liability in accordance with Paragraph 98 (2) of Schedule B1 of the Insolvency Act 1986, upon the filing of the final Receipts and Payments account in accordance with Rule 2.110 of the Insolvency Rules 1986



*KPMG LLP  
13 September 2007*

This concludes the joint administrator's report. Should any creditor require further information, please contact my colleague, Danielle Powell on 0121 609 5885.

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 Tams, 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.

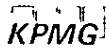
#### 5 What information should be provided by the administrator?

- 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  
13 September 2007*

## **Appendix 3**

### **Directors statement of affairs**

# A – Summary of Assets

**COUNTRY ARTISTS GROUP LTD**

Assets

Assets subject to fixed charge

Assets subject to floating charge

**SHARE HOLDING IN COUNTRY  
ARTISTS LTD**

Uncharged assets

Estimated total assets available for preferential creditors

Book Value £	Estimated to Realise £
NIL	NIL
NIL	NIL
NIL	NIL

Signature

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# A1 – Summary of Liabilities

COUNTRY ARTISTS GROUP LTD

		Estimated to realise £
Estimated total assets available for preferential creditors (carried from page A)	£	NIL
Liabilities	£	
Preferential creditors -	NIL	
Estimated deficiency/surplus as regards preferential creditors	£	NIL
Estimated prescribed part of net property where applicable (to carry forward)	£	NIL
Estimated total assets available for floating charge holders	£	NIL
Debts secured by floating charges	£	(7,545,000)
Estimated deficiency/surplus of assets after floating charges	£	(7,545,000)
Estimated prescribed part of net property where applicable (brought down)	£	NIL
Total assets available to unsecured creditors	£	(7,545,000)
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	£	(214,000)
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)	£	(214,000)
Shortfall to floating charge holders (brought down)	£	(7,545,000)
Estimated deficiency/surplus as regards creditors	£	(7,759,000)
Issued and called up capital	£	(£289,775)
Estimated total deficiency/surplus as regards members	£	(8,039,275)

Signature

*D. Blaken*

Date

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# COMPANY SHAREHOLDERS

## COUNTRY ARTISTS GROUP LTD

Name of Shareholder	Address (with postcode)	No of shares held	Nominal Value	Details of Shares held
BARONS MEAD VET PLC	100 WOOD ST LONDON EC2V 7AN	81080	810.80	A1 ORD 1P
BARONS MEAD VET 2 PLC	" " "	101351	1013.51	" " "
BARONS MEAD VET 3 PLC	" " "	87837	878.37	" " "
BARONS MEAD VET 4 PLC	" " "	54054	540.54	" " "
BARONS MEAD VET 5 PLC	" " "	67878	678.78	" " "
BARONS MEAD VET 6 PLC	" " "	1000000	10.000	" " "
BARONS MEAD VET 7 PLC	100 WOOD ST LONDON EC2V 7AN	458919	4589.19	A2 ORD 1P
BARONS MEAD VET 8 PLC	" " "	573650	5736.50	" " "
BARONS MEAD VET 9 PLC	" " "	497163	4971.63	" " "
BARONS MEAD VET 10 PLC	" " "	305947	3059.47	" " "
BARONS MEAD VET 11 PLC	" " "	3824321	38243.21	" " "
BARONS MEAD VET 12 PLC	" " "	5660000	56600.00	" " "
RICHARD COOPER	LARKSTONE MANOR, ADMINGTON, CV36 4SH	1665000	83.250	B ORD 5P
CHRISTOPHER WINSTONE	9 WETHERBY WAY, STRATFORD ON AVON CV37 9LW	535000	27.750	" " "
ROBERT HAWKINS	8 MAIDENHALL DRIVE, BURY, CV23 0SE	222000	11.100	ORD 5P
CHRISTOPHER WINSTONE	9 WETHERBY WAY, STRATFORD ON AVON CV37 9LW	999000	499.500	" " "
SIMON ASHTON	MOSELEY FARMHOUSE, SMITHY LANE, LEEDS, LS16 7NG	1661500	83.075	" " "
GRAHAM BUTTER	WIGMORE, SPURLANDS END ROAD, GREAT KINGSHILL, HIGH WYCOMBE HP13 6HY	222000	11.100	" " "
DAVID BLAKEMAN	33 FARNIE AVENUE, WORCESTER WR5 3AH	222000	11.100	" " "
RICHARD TAMS	4 STEPHENSON WAY, HONEYBOURNE WR11 7EH	222000	11.100	" " "
TOTALS		2553500	102.675	
		10983500	280.275	

Signature P Blakeman Date 4/9/07

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*John D. Smith*

## Country Artists Group Ltd

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Signature P. Baker

Date 4/9/07

