

The Insolvency Act 1986
Administrator's progress report

Name of Company
AL Residual Realisations 2008 Limited

Company number
05727489

In the High Court of Justice Chancery Division Birmingham District Registry	(full name of court)
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Court case number
9331 of 2008

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

I (a)
Kevin J Hellard
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

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

(b) Insert date

From
(b) 21 January 2012

To

(b) 20 July 2012

Signed

Administrator

Dated

SATURDAY



A1F2QXPE

A25

11/08/2012

#133

COMPANIES HOUSE

Our Ref KJH/TPB/KZE

TO THE CREDITORS

Recovery and Reorganisation

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9 August 2012

Dear Sirs

**AL Residual Realisations 2008 Limited - In Administration (the Company)
Formerly "The Art Lounge Limited"
In the High Court of Justice Chancery Division, Birmingham District Registry
No. 9331 of 2008**

1 Introduction

- 1.1 As previously advised I, K J Hellard of Grant Thornton UK LLP, was appointed joint administrator of the Company, together with S J Hunt of Gaffins, by an Order of the High Court of Justice on 16 April 2009 in place of P J Webb of Mayfields. Mr Hunt resigned as administrator on 20 December 2011.
- 1.2 Mr Webb had originally been appointed administrator by the Company's director on 21 July 2008 pursuant to paragraph 22 of Schedule B1 of the Insolvency Act 1986.
- 1.3 I am now in a position to present a further progress report in respect of this matter. I enclose Form 2.24B and an account of the administrators' receipts and payments to 20 July 2012, in accordance with Rule 2.47 of the Insolvency Rules 1986. Please note that the receipts and payments account contains figures obtained from Mr Webb's computerised records which have not been verified.
- 1.4 In accordance with paragraph 100 (2) of Schedule B1 to the Insolvency Act 1986 the functions of the administrators are to be exercised by any or all of them.
- 1.5 I am licensed by the Insolvency Practitioners' Association.

2 Statutory Information

2.1 The Company's statutory details are as follows

registered number	5727489
registered office	C/o Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
former trading address	28-30 Wharfside Street The Mailbox Birmingham B1 1XL

3 Progress of the Administration

- 3.1 Administrations typically end after a period of one year, meaning this administration was originally due to come to an end on 20 July 2009. The court order that removed Mr Webb as administrator provided for the administration to be extended to 15 October 2009.
- 3.2 In order to allow sufficient time to investigate the affairs of the Company and any possible asset realisations, the Court granted further extensions to 15 April 2010, then to 15 October 2010, 15 April 2011, 15 October 2011 and subsequently to 15 October 2012.
- 3.3 According to the proposals report prepared by Mr Webb and sent to creditors on 16 January 2008, the principal objectives of the administration are to achieve a better result for the Company's creditors as a whole than if the Company was wound up and to realise property in order to make a distribution to the secured or preferential creditors.

Asset Realisations

Sale of the Business

- 3.4 There are no outstanding matters regarding the sale of the Company's business and assets to Art of Investment Limited, details of which were disclosed in previous reports.

Book debts

- 3.5 As previously advised it appears unlikely that there will be any future book debt realisations, and in the circumstances, no further action is proposed.

Cash at bank

- 3.6 As explained in my previous report, I received a cheque for £11,111.51 on 10 August 2009, being the balance of funds held in the Company's bank account. Having investigated this matter further, the takings received, less the processing charge of 3%, amounted to £9,807.87. This was paid to AOI on 4 January 2010. This left a balance of £1,307.64 with respect to the Company's pre-appointment cash balance. Bank charges of £71.61 and agents' fees of £150.00 plus VAT leaves a balance of £1,059.78. These transactions have been

Chartered Accountants

Member firm within Grant Thornton International Ltd

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A list of personnel permitted by Grant Thornton to accept appointments as insolvency practitioners and of their respective authorising bodies may be inspected at the above address.

verified and therefore no further action is to be taken in this regard

Legal actions

- 3 7 Prior to administration the Company initiated legal proceedings against a former artist. It claimed that an agreement between the two parties, allowing for reproductions of various images created by the artist, was unlawfully terminated without the reproductions being made. The Company lodged a claim for loss of profit of £690,811 plus interest and costs.
- 3 8 The artist denied the existence of the agreement and also issued a counterclaim for breach of copyright, alleging that various pieces of art were reproduced without his consent.
- 3 9 As previously advised, the Defendants applied for security for costs which the Company were unable to fund and could not secure third party funding. There was an outstanding counterclaim which was subsequently reviewed by my solicitors. I was advised that the likelihood of success would outweigh any potential realisations to creditors. I have agreed to a "drop hands" settlement on the basis that the artwork held by the Company be destroyed, bear the costs of the destruction and provide a destruction notice to the artist.
- 3 10 The artwork is currently in the process of being destroyed and I would hope to provide the artist with the required destruction notice within the next month.

Bond Claim

- 3 11 A claim has been formulated and submitted against Mr Webb's surety insurance under several headings in relation to the drawing of excessive and unauthorised remuneration, and failures and/or omissions to act that may have jeopardised the quantum of asset realisations available for the benefit of creditors.
- 3 12 The claim also includes a request that the bondsman reimburse the current office holders for the duplication costs incurred in progressing the assignment and the costs of compilation and negotiation of the bond settlement itself. It is not possible at present to ascertain with any certainty what proportion, if any, of these costs will ultimately be agreed and therefore what proportion, if any, of these costs will fall to be paid through the estate.
- 3 13 Settlement funds were expected to be received in June 2012, however, due to unforeseen delays this is yet to be received. It is not clear when the settlement of the bond will be finalised.

Creditor Claims

- 3 14 There is a debenture registered at Companies House dated 13 May 2008 for the sum of £14,350 representing amounts lent to the Company by the director. The debenture creates a fixed and floating charge over all of the property and assets of the Company.
- 3 15 Mr Webb's financial snapshot provided with his proposals indicates that there are no preferential creditors, and unsecured creditor claims totalling £201,056.
- 3 16 On the basis of the financial snapshot, realisations noted to date and the former administrator's fees drawn (see below), there would appear to be currently no prospect of a

dividend to the secured or unsecured creditors, although this may change should the action detailed in 3.14 above be successful

4 Administrators' Remuneration

Former Administrator

4.1 Mr Webb's computerised records show that he drew administrator's fees of £3,916.02 plus VAT in accordance with a fee resolution contained in his proposals

4.2 I do not have Mr Webb's time records to allow disclosure in accordance with Statement of Insolvency Practice 9

Current Administrator

4.3 Further to my last report, the proposals to determine the basis of my remuneration as incumbent administrator were revised by the creditors pursuant to paragraph 54(2) of schedule B of the Insolvency Act 1986. At the meeting of creditors dated 20 March 2012, it was resolved that the administrator's remuneration be fixed by reference to time properly given by the administrator and his staff plus VAT and that the administrator be authorised to draw remuneration on account

4.4 The day to day conduct of the administration is under the control of partners and staff of Grant Thornton UK LLP. The routine administration of the case will be at the level of executive/administrator, who is responsible to a manager who is experienced in insolvency matters and, together with the appointed partner who is licensed to act as an insolvency practitioner, will deal with technical or complex matters as they arise. The extent to which time will be incurred by managers and partners will depend on issues which arise as our investigations continue. Details of our hourly rates are made available to creditors or creditors' committees at the time of fixing the basis of our fees. Personnel carrying the Treasury, secretarial and filing functions are charged separately to the professional staff on the case based on the time they work on it

4.5 My charge out rates and those of my staff are as follows

Grant Thornton UK LLP	From 1/07/10	From 1/7/11	From 1/7/12
Grade	£/hour	£/hour	£/hour
Partners	425-535	445-560	465-580
Directors	405-440	425-460	440-480
Managers	245-405	260-425	270-440
Other Senior Professionals	200-260	145-275	220-285
Administrator	140-195	145-205	150-210
Support Staff	130-150	135-160	140-165

4.6 In accordance with Statement of Insolvency Practice (SIP 9), I attach a summary of my time costs, by grade of staff and type of work. This shows a total time cost to 20 July 2012 of

£64,061 represented by 312.75 hours at an average charge out rate of £205 per hour. I have not drawn any remuneration or expenses to date.

5 Revised proposal

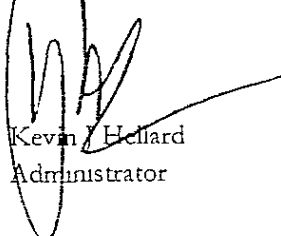
- 5.1 At a meeting of creditors, pursuant to paragraph 54(2) of Schedule B1 to the Insolvency Act 1986 held on 20 March 2012 at 10.00am the following proposal was added and approved: *'That the administrator's remuneration be fixed by reference to time properly given by the administrator and his staff plus VAT and that the administrator be authorised to draw remuneration on account'*
- 5.2 I will charge out of pocket expenses at cost. Mileage is charged at standard rates which comply with HM Revenue & Customs limits or AA recommended rates. VAT is added to disbursement charges as necessary.
- 5.3 Background information regarding Administrators' fees can be found at <http://www.insolvency-practitioners.org.uk> (navigate via 'Technical' to 'Creditors Guides to Fees'). Alternatively, I will supply this information by post on request.

6 Exit Strategy

- 6.1 As stated above, the administration is now due to end on 15 October 2012 and in order to allow sufficient time to continue to investigate the issues outlined in this report, I am considering applying to Court to extend the administration for a further twelve months to 15 October 2013.
- 6.2 It is our intention that once the above matters have been resolved and the administrator's duties have been completed, the Company will proceed to dissolution.
- 6.3 If you have any questions regarding the content of this report please contact Kim Edwards on 0161 953 6420.

Yours faithfully

for and on behalf of AL Residual Realisations 2008 Limited



Kevin J. Hellard
Administrator

The affairs, business and property of AL Residual Realisations 2008 Limited are being managed by Kevin Hellard and Stephen Hunt, appointed as joint administrators on 16 April 2009. The joint administrators act as agents of the Company and contract without personal liability.

AL Residual Realisations 2008 Limited
in Administration
Administrators receipts and payments account
From 21 July 2008 to 20 July 2012

Receipts	Statement of former administrator's proposal Estimated to Realise £	From 21/7/12 to 20/1/2012 (£)	From 21/1/2012 to 20/7/2012 (£)	Total (£)
Cash at bank	5,000	1,308		1,308
Book debts	7,497	-		-
Stock	2,500	9,998		9,998
Goodwill	2,499	2,500		2,500
Fixtures and fittings	-	2,500		2,500
Commercial records and customer lists	-	1		1
Intellectual property	-	1		1
Litigation proceeds	uncertain	-		-
Bank interest gross				-
	<u>17,496</u>	<u>16,308</u>	<u>-</u>	<u>16,308</u>
Payments				
Legal fees		8,933		8,933
Previous office holders expenses		3,916		3,916
Agents/ Valuers fees		150		150
Bank charges		126	44	170
VAT receivable		<u>2,177</u>		<u>2,177</u>
		15,302	44	15,346
Balance				<u>962</u>
				<u>16,308</u>

A L Residual Realisations 2008 Limited - G30206701 - SIP 9 TIME COST ANALYSIS

Job(s) ADMIN, Bond Investigation

Transaction period 21/07/2008 to 20/07/2012

Standard	Partner			Manager			Executive			Administrator			Total		
	Hrs	£	Avg. Hrly Rate	Hrs	£	Avg. Hrly Rate	Hrs	£	Avg. Hrly Rate	Hrs	£	Avg. Hrly Rate	Hrs	£	Avg. Hrly Rate
Administration and Planning	35 49	14,864 75	418 84	31 29	9,814 35	313 66	48 36	9,570 55	197 90	140 47	19,068 45	135 75	255 61	53,318 10	208 59
Creditors	60	326 00	543 33	4 00	1,167 50	291 88	2 20	423 00	219 27	9 70	1,292 25	133 22	16 50	3,208 75	194 47
Hiatus period													00	00	
Investigations				94	319 60	340 00	9 60	2,132 50	222 14	3 75	526 25	140 33	14 29	2,978 35	208 42
Realisation of Assets				4 85	1,504 75	310 26	70	147 00	210 00	20 80	2,904 50	139 64	26 35	4,556 25	172 91
Trading													00	00	
Total	36 09	15,190 75	420 91	41 08	12,806 20	311 74	60 86	12,273 05	201 66	174 72	23,791 45	136 17	312 75	64,061 45	204 83