

The Insolvency Act 1986

Administrators' progress report**2.24B**

Name of Company A L Residual Realisations Limited, formerly the Art Lounge Limited	Company number 5727489
In the High Court of Justice Chancery Division Birmingham District Registry [full name of court]	Court case number 9331 of 2008

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

We (a) Kevin Hellard of Grant Thornton UK LLP, 30 Finsbury Square, London, EC2P 2YU and Stephen Hunt of Griffins, Tavistock House South, Tavistock Square, London, WC1H 9LG

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

	from	to
(b) Insert dates	(b) 21 January 2009	(b) 20 July 2009

Signed

Joint Administrator

Dated

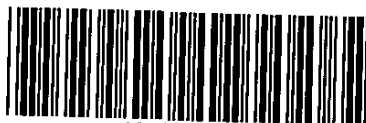
Contact Details

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.

Luke Stableford, Grant Thornton UK LLP, No 1 Whitehall Riverside, Leeds, LS1 4BN	
Tel 0113 200 2555	
DX Number	DX Exchange

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

SATURDAY



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25/08/2012

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COMPANIES HOUSE



Grant Thornton

Our Ref KJH/SME /LJS/G30206701/7

TO THE CREDITORS

Recovery and Reorganisation

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12 August 2009

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 I, K J Hellard of Grant Thornton UK LLP, was appointed joint administrator of the Company, together with S J Hunt of Griffins, by an Order of the High Court of Justice on 16 April 2009 in place of P J Webb of Mayfields.
- 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 progress report in respect of this matter. I enclose Form 2.24B and, as appendix 1, an account of the administrators' receipts and payments to 20 July 2009, 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 and Mr Hunt is licensed by the Institute of Chartered Accountants in England and Wales.

2 Statutory Information

- 2.1 The Company's statutory details are as follows

registered number

5727489

Chartered Accountants
Member firm within Grant Thornton International Ltd
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No OC307742. Registered office: Grant Thornton House, Mutton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

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.

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 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 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 3 Mr Webb's proposals advise that the business and assets of the Company were purchased by the Art of Investment Limited ("AOI"), which was incorporated for that purpose. The Company changed its name to AL Residual Realisations 2008 Limited after the sale.
- 3 4 Mr Webb's computerised records indicate that a consideration of £15,000 was received in respect of the sale.
- 3 5 It appears that Mr Webb obtained a professional valuation of the stock, fixtures and fittings of £11,000 in-situ. Mr Webb's proposals included a Snapshot of Assets and Liabilities as at 21 July 2008 which provides a book value for those assets of £9,996 and for good will of £2,500.

Book debts

- 3 6 Mr Webb's Snapshot of Assets and Liabilities shows debtors with a book value of £5,000 and his files schedule book debts amounting to £29,578. It appears that some customers had only partially paid for work they had purchased and the debts relate to the outstanding balances due. Those customers would not have received their purchases as customers were required to pay in full for their purchase prior to its release by the artist.
- 3 7 When the Company entered administration it appears that the artists would not release their work to the customers and these customers would potentially have unsecured claims for the amounts paid to the Company. It therefore appears unlikely that there will be any future book debt realisations.

Cash at bank

- 3 8 I have received a cheque for £11,111 51, being the balance of funds held in the Company's bank account. However, the majority of these funds represent sales made by AOI after their purchase of the business, which were processed using the Company's card processing facility.
- 3 9 It appears that Mr Webb verbally agreed that AOI could continue to register any takings through the Company's existing card processing machine (and therefore into the Company's bank account) between 23 July and the time it took for a new machine to be set up, which would then be paid across to AOI. It is claimed that those takings, less the processing charge of 3%, amounted to £12,380. I am in the process of investigating this matter and corresponding with AOI's solicitors.

Legal actions

- 3 10 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 11 The artist denied the existence of the agreement and also issued a counter claim for breach of copyright, alleging that various pieces of art were re-produced without his consent. The artist also applied to Court for security of costs amounting to £25,000, which, if approved, the Company would be forced to pay prior to continue the proceedings.
- 3 12 The issues surrounding this action require further investigation before I am in a position to advise on the likelihood of success and therefore potential realisations for creditors.

Creditor Claims

- 3 13 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 14 Mr Webb's financial snapshot provided with his proposals indicate that there are no preferential creditors, and detail unsecured creditor claims totalling £201,096.
- 3 15 On the basis of the financial snapshot, realisations noted to date and 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 12 above be successful.

Administrators' Remuneration

Former Administrator

- 3 16 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.
- 3 17 I do not have Mr Webb's time records to allow disclosure in accordance with Statement of Insolvency Practice 9.

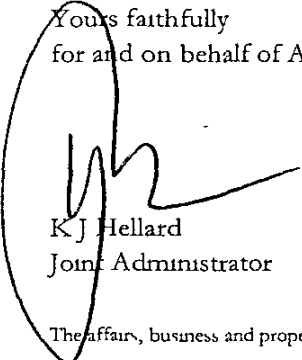
Incumbent Administrators

- 3 18 The day to day conduct of the administration rests with Grant Thornton UK LLP and my charge out rates and those of my staff who have worked and are expected to continue to work on the case are detailed in Appendix 2
- 3 19 In accordance with Statement of Insolvency Practice (SIP 9), I attach at Appendix 2, a summary of my time costs, by grade of staff and type of work. This shows a total time cost to 27 July 2009 of £9,572.50 represented by 26.25 hours at an average charge out rate of £364.66 per hour. I have not drawn any remuneration or expenses to date.
- 3 20 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.

4 Exit Strategy

- 4 1 Depending on the progress of the matters for investigation outlined in this report, it is likely that the optimal exit strategy will be to place the company into liquidation when the administration ends on 15 October 2009. Mr Webb's proposals provide for this strategy as one option, but creditors' approval will be sought in due course if this strategy is deemed appropriate.
- 4 2 If you have any questions regarding the content of this report please contact Luke Stableford of this office on 0113 200 2555.

Yours faithfully
for and on behalf of AL Residual Realisations 2008 Limited



K J Hellard
Joint Administrator

The affairs, business and property of A L 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)

Summary of Receipts & Payments to 20 July 2009

RECEIPTS	Total (£)
Business Assets	15,000 00
	<u>15,000 00</u>
 PAYMENTS	
Legal Fees	8,933 26
Former Administrator's Fees	3,916 02
VAT Receivable	2,150 72
	<u>15,000 00</u>
Balance In Hand	0
	<u><u>15,000 00</u></u>

Introduction

The following information is provided in connection with the liquidators' remuneration and disbursements in accordance with SIP 9

Overview of the case

K J Hellard of Grant Thornton UK LLP and S J Hunt of Griffins, were appointed joint administrators of the Company by an Order of the High Court of Justice on 16 April 2009 in place of P J Webb of Mayfields

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

For further details, please refer to the main body of the report

Explanation of Grant Thornton UK LLP charging and disbursement recovery policy

Time costs

All partners and staff are charged out at hourly rates appropriate to their grade, as shown in the table in the report. Details of the hourly charge-out rates are made available to creditors or committees at the time of fixing the basis of our fees. Support staff (i.e. secretaries, cashiers and filing clerks) are charged to the case for the time they work on it.

The day to day conduct of this assignment since our appointment has been under the control of Grant Thornton UK LLP partners and staff. Our charging strategy has been, and continues to be, to utilise junior staff for routine and procedural matters, deferring to managers experienced in insolvency matters and the appointed partner, who is a licensed insolvency practitioner, where appropriate, in respect of complex or strategic issues.

Disbursements

Out of pocket expenses are charged at cost. Mileage is charged at standard rates which comply with HM Revenue and Customs limits or AA recommended rates.

The current outstanding disbursements are £18 00

Narrative description of work carried out

Activity	Examples of work
Administration and planning	Case review and administrative set-up
Investigations	None
Realisation of assets	Dealing with issues regarding funds held in the bank account
Creditors	Telecommunications and correspondence with creditors
Legal	Liaising with solicitors on legal issues
Tax	Dealing with company's tax position

Time and charge-out summaries

Classification of Work Function	Director and Partner Hours	Manager Hours	Other Senior Professional Hours	Assistant and Support Staff Hours	Total Hours	Time Cost £	Average Hourly Rate £
Admin & Planning	4 00	2 50	0 00	0 00	6 50	2 707 50	416 53
Investigations	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Realisation of Assets	0 00	0 50	0 00	0 00	0 50	157 50	315 00
Creditors	0 00	1 50	2 50	0 00	4 00	805 00	201 25
Legal	13 75	0 00	0 00	0 00	13 75	5,580 00	405 81
Tax	0 00	0 00	1 50	0 00	1 50	322 50	215 00
Total hours and cost	17.75	4.50	4.00	0.00	26 25	9,572 50	364 66

Charge out rates

Grade	1 July 2009 £ per hour	1 July 2008 £ per hour
Partner	410-510	390-480
Director	385-420	365-400
Manager	235-385	220-315
Other Senior Professional	135-250	125-235
Administrator	125-150	135-180