

The Insolvency Act 1986

Administrator's progress report

Name of Company AL RESIDUAL REALISATIONS 2008 LTD, 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)

I / We (a) **KEVIN HELLARD OF GRANT THORNTON UK LLP, 30
FINSBURY SQUARE, LONDON, EC2P 2YU AND STEPHEN HUNT
OF GRIFFIUS, TAVSTOCK HOUSE SOUTH, TAVSTOCK
SQUARE, LONDON, WC1H 9LG**

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

(b) Insert dates

from

to

(b) **21 JANUARY 2010**(b) **20 JULY 2010**

Signed

Joint / Administrator(s)

Dated

9/8/2010**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 on the public record.

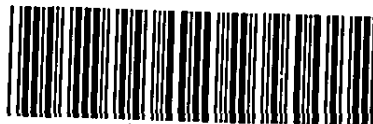
CARLY LUMLEY, GRANT THORNTON UK LLP,	
NO. 1 WHITEHALL RIVERSIDE, LONDON, LS1 4BN	
	Tel 0113 200 2694
DX Number	DX Exchange

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

MONDAY



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16/08/2010

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COMPANIES HOUSE

Our Ref KJH/SME /CJL/G30206701/7

TO THE CREDITORS

Recovery and Reorganisation

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11 August 2010

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 further 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 date, 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, Melton 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 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 issues detailed below and any subsequent asset realisations, the Court granted an extension of six months, to 15 April 2010.
- 3 3 As the investigations into the Company's and former administrator's affairs are still ongoing, I applied to Court to further extend the administration to 15 October 2010.
- 3 4 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 5 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 6 Mr Webb's computerised records indicate that a consideration of £15,000 was received in respect of the sale.
- 3 7 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 goodwill of £2,500.

Book debts

- 3 8 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 9 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 10 As detailed in my last 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. 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 11 Mr Webb had 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 2008 and the time it took for a new machine to be set up, which would then be paid across to AOI. 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 £11.47 leaves a balance of £1,296.17.

Legal actions

- 3 12 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 13 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 14 The outcome of the legal proceedings is still not finalised. In relation to the action commenced by the Company prior to administration, the proceedings are concluded. The Defendants applied for security for costs which the Company were unable to fund and could not secure third party funding. There remains outstanding the counterclaim which we are currently trying to conclude. I am currently not in a position to advise of the likelihood of success and therefore potential realisations to creditors.

Creditor Claims

- 3 15 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 16 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 17 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 11 above be successful.

Administrators' Remuneration

Former Administrator

- 3 18 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 19 I do not have Mr Webb's time records to allow disclosure in accordance with Statement of Insolvency Practice 9

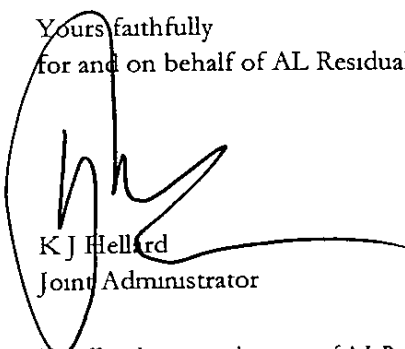
Incumbent Administrators

- 3 20 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 21 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 20 July 2010 of £30,746 95 represented by 130 26 hours at an average charge out rate of £236 04 per hour. I have not drawn any remuneration or expenses to date
- 3 22 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 As stated above, the administration is now due to end on 15 October 2010 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 six months to 15 April 2011
- 4 2 It is our intention that once the above matters have been resolved and the administrators' duties have been completed that the Company will proceed to dissolution
- 4 3 If you have any questions regarding the content of this report please contact Carly Lumley 0113 200 2694

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 2010**

RECEIPTS	Total (£)
Plant & Machinery	15,000 00
Cash at Bank	1,307 64
	<u>16,307.64</u>
 PAYMENTS	
Legal Fees	8,933 26
Office Holders Expenses	3,916 02
Bank Charges	11 47
VAT Receivable	2,150 72
	<u>15,011.47</u>
 Balance In Hand	<u>1,296.17</u>
	<u><u>16,307 64</u></u>

Introduction

The following information is provided in connection with the administrators' 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 on 21 July 2008

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 £425.00

Narrative description of work carried out

Activity	Examples of work
Administration and planning	Case review, administrative set-up, reports to creditors and administration extensions
Creditors	Letters and reports to creditors
Legal	Liaising with solicitors in respect of appointment, court case and ongoing litigation, and pre - appointment cash
Tax	Dealing with company's tax position

Time and charge-out summaries

Classification of Work Function	Director and Partner	Manager	Other Senior Professional	Assistant and Support Staff	Total	Time Cost	Average Hourly Rate
	Hours	Hours	Hours	Hours	Hours	£	£
Admin & Planning	5 01	15 50	67 49	3 11	91 11	18,450 20	202 50
Creditors	0 10	3 50	7 45	0 00	11 05	2,261 50	204 66
Legal	22 40	0 00	2 00	0 00	24 40	9,175 25	376 03
Tax	0 00	0 00	3 70	0 00	3 70	860 00	232 43
Total hours and cost	27.51	19 00	80.64	3 11	130.26	30,746.95	236.04

Charge out rates

Grade	1 July 2009	1 July 2008
	£ per hour	£ 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