

The Insolvency Act 1986

# Statement of administrator's proposals

# 2.17B

Name of Company CFG LEISURE 1 LIMITED	Company number 06002186
In the High Court of Justice <small>[full name of court]</small>	Court case number 5392 of 2010

(a) Insert full name(s) and address(es) of administrator(s) I/We (a) N A Bennett & M C Healy of Leonard Curtis, One Great Cumberland Place, Marble Arch, London W1H 7LW

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

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

\* Delete as applicable

(b) Insert date (b) 25 August 2010

Signed

*N A Bennett*  
N A Bennett - Joint Administrator

Dated 25 AUGUST 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 to searchers of the public record.

Leonard Curtis	
One Great Cumberland Place, Marble Arch, London,	
W1H 7LW	Tel 020 7535 7000
DX Number	DX Exchange

I 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



A39 \*ADWA5N4P\* 121  
04/09/2010  
COMPANIES HOUSE

Please ask for  
Our ref  
Your ref

Christopher Coles  
L/18/CMC/SCFG05/1040/1010



**LEONARD CURTIS**  
BUSINESS RESCUE & RECOVERY

25 August 2010

**TO ALL CREDITORS**  
**PRIVATE AND CONFIDENTIAL**

Dear Sir(s)/Madam

**CFG LEISURE 1 LIMITED**  
**CFG LEISURE 2 LIMITED**  
**(BOTH IN ADMINISTRATION) (together "the Companies")**

I wrote to all creditors on 5 July 2010 to advise that M C Healy and I had been appointed Joint Administrators of the Companies on 1 July 2010

Enclosed with this letter is the Report and Statement of Proposals of the Joint Administrators. Initial meetings of the Companies' creditors are not being convened as I think that, on the basis of information currently available to me, neither the Company will have insufficient property after costs to enable a distribution to be made to unsecured creditors other than by virtue of Section 176(A)(2)(a) of the Insolvency Act 1986 (prescribed part)

The Joint Administrators are obliged to hold an initial creditors meeting if 10% in value of the creditors of either Company require it. If you wish for a meeting to be held, you must notify me in writing using the prescribed form provided on or before 16 September 2010. Please supply written details of your claim as at the date of the Joint Administrators' appointment less any payments that have been made after the date of Administration in respect of it and any adjustment by way of set-off. Security for the costs of holding the meeting must be provided.

Should you have any queries or require any further clarification please contact my office, in writing. Electronic communications should also include a full postal address.

Yours faithfully  
for and on behalf of  
**CFG LEISURE 1 LIMITED**  
**CFG LEISURE 2 LIMITED**

**N A BENNETT**  
Joint Administrator

Licensed in the UK by the Insolvency Practitioners Association

The affairs, business and property of the Companies are being managed by the Joint Administrators who act as agents of the Companies without personal liability

**BIRMINGHAM ■ BLACKBURN ■ BURY ■ LONDON**  
**MANCHESTER ■ NEWCASTLE UPON TYNE ■ WOLVERHAMPTON**

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London W1H 7LW

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**LEONARD CURTIS**  
BUSINESS RESCUE & RECOVERY

**CFG LEISURE 1 LIMITED**

Registered Number. 06002186

**CFG LEISURE 2 LIMITED**

Registered Number 06002067

**(BOTH IN ADMINISTRATION)**

**Joint Administrators' Report and Statement of Proposals**

**25 August 2010**

Leonard Curtis  
One Great Cumberland Place, Marble Arch,  
London W1H 7LW  
Tel 020 7535 7000 Fax 020 7723 6059  
solutions@leonardcurtis.co.uk  
Ref LJ18/CMC/CFG04/CFG05/1010

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TO THE REGISTRAR OF COMPANIES  
ALL CREDITORS  
ALL SHAREHOLDERS

## 1 INTRODUCTION

1.1 I refer to the appointment of M C Healy and myself as Joint Administrators ("the Joint Administrators") of CFG Leisure 1 Limited ("CFG1") and CFG Leisure 2 Limited ("CFG2") (together "the Companies") on 1 July 2010 and now write to present our proposals ("the Proposals") (Appendices A(i) and (ii)) for the Companies pursuant to the Insolvency Act 1986 ("the Act")

1.2 Creditors may approve the Proposals, with or without modifications, subject to the Joint Administrators accepting any modifications. If creditors reject the Proposals, a report will be sent to the Court which may provide for the appointment of the Joint Administrators to cease to have effect, or make any other Order it thinks appropriate.

1.3 We do not propose to convene a meeting of creditors of either Company, as we think that neither of the objectives specified in paragraph 3(1)(a) and (b) of Schedule B1 to the Act can be achieved, namely

- (a) Rescuing the Company as a going concern, or (if this cannot be achieved)
- (b) 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)

Creditors whose debts amount to at least 10% of the total debts of either Company may request a meeting to consider the Proposals and may establish a Committee to assist the Joint Administrators in discharging their duties. The meeting must be held within 28 days of the request being received by the Joint Administrators. Security must be given for the expenses of summoning and holding the meeting.

## 2 STATUTORY INFORMATION

2.1 The Administration proceedings for CFG1 and CFG2 are under the jurisdiction of the High Court of Justice under Court reference numbers 5392 of 2010 and 5390 of 2010 respectively.

2.2 The Companies' registered offices were changed from 15 Titan Court, Laporte Way, Luton, Bedfordshire LU4 8EF to One Great Cumberland Place, Marble Arch, London W1H 7LW on 8 July 2010. The registered numbers are 06002186 and 06002067 respectively.

2.3 CFG2 also operated from premises known as Viennas at 20 New Street, Paisley PA1 1YB. The Companies have previously operated from a number of other addresses, however these were all closed prior to the date of Administration.

2.4 The Companies' officers are

Name	Role	Date Appointed	Date Resigned
EMW Secretaries Limited	Secretary	25 March 2009	18 March 2010
Martin Priestnall	Director	25 March 2009	18 March 2010

2.5 Each Company's authorised share capital is 100 Ordinary shares of £1 each. The issued share capital of each Company comprises 1 share. No shares are held by the Companies' officers.

2 6 According to Companies House, the following charges are registered

**CFG1**

Chargee	Description	Date Created	Amount Secured and Assets Charged
Sofiya Limited	Debenture	3 April 2009	All monies over all property and assets

**CFG2**

Chargee	Description	Date Created	Amount Secured and Assets Charged
Sofiya Limited	Debenture	3 April 2009	All monies over all property and assets

2 8 The Companies' main centres of operation are based in the UK. The EC Regulation on Insolvency Proceedings applies and the proceedings are main proceedings under the Regulation.

**3 HISTORICAL BACKGROUND AND EVENTS LEADING UP TO ADMINISTRATION**

3 1 The Companies were both the subject of Company Voluntary Arrangements ("CVA") approved on 30 July 2009 (CFG1) and 6 August 2009 (CFG2). Following the appointment of the Joint Administrators, the CVA of CFG1 was failed on 21 July 2010 and the CVA of CFG2 is in the process of being failed.

3 2 The proposals for the CVA set out in some detail the background and trading history of the Companies. It is not intended to repeat this in detail in this report although creditors who did not receive, or have mislaid, the CVA proposals may write to the Joint Administrators to request a further copy.

3 3 By way of summary however, in January 2007, after successfully negotiating a management buy-out of some of the unbranded venues of Luminar Leisure, The 3D Entertainment Group Limited ("3D") was formed along with three subsidiaries, and commenced trading.

3 4 CFG1 (previously known as The 3D Entertainment Group (Jaks) Limited) and CFG2 (previously known as The 3D Entertainment Group (Bars & Clubs) Limited) were among those subsidiaries.

3 5 In January 2008 negotiations commenced between The Helena Leisure Group ("Helena") and 3D as a result of which an agreement was reached which involved the acquisition of a number of venues to be operated by the Companies.

3 6 Helena's core strategy was to develop a range of branded nightclubs focussing on local markets to ensure that the offering in terms of music, ambience, DJs and live entertainment would be attractive to their target markets. The clubs being offered were considered underperforming due to a previous lack of focus and lack of investment.

3 7 The poor and loss making units when acquired were severely underfunded owing to extremely high property costs in some cases, which has created too much of a barrier to obtain conventional bank funding needed to get these units to a breakeven position. In the absence of this a private investor was approached who provided some initial secured funding, which enabled some necessary changes to be made to attempt to increase the profitability and survival chances of the Companies.

3 8 In the event, a number of poorly performing venues were closed owing to the continued difficult economic conditions and the CVAs put in place firstly to provide protection for the remainder of the Companies' businesses and secondly to provide pools of assets against which certain creditors of both Companies, primarily landlords and other property related creditors, could claim.

## CFG Leisure 1 Limited and CFG Leisure 2 Limited – Both In Administration

- 3 9 As the economic position failed to improve during the latter half of 2009 and into 2010 the remaining venues also suffered and the Companies found themselves falling into arrears with post CVA liabilities
- 3 10 In June 2010, Helena Leisure Limited, who were operating the remaining venues on behalf of the Companies, were placed into Administration owing the Companies approximately £5,768,570. In the absence of this funding the Companies could not continue to trade and as a result the secured creditor, Sofiya Limited ("Sofiya"), gave Notices of Appointment of Administrators on 30 June 2010 which were filed at the High Court on 1 July 2010
- 3 11 Mr Healy and I are licensed in the UK by the Insolvency Practitioners Association. The functions of the Joint Administrators may be exercised by either or both, acting jointly or alone

## 4 RECENT TRADING RESULTS AND CURRENT FINANCIAL POSITION

- 4 1 CFG 1's trading results for the period 17 November 2006 to 28 February 2008 and management accounts at 31 May 2010 are detailed below

	Management Period ended 31/5/10 £'000	Audited period ended 28/02/08 £'000
Turnover	1,740	10,187
Gross Profit	1,429	8,220
Gross Profit %	82	81
Administrative expenses	(1,191)	(10,587)
Operating Profit/(Loss)	238	(2,367)
Interest and charges	-	(357)
Profit/(Loss) before tax	238	(2,724)
Taxation	-	(372)
Profit for the year	238	(3,096)
Dividends	-	-
Retained profit	238	(3,096)

- 4 2 No audited accounts have been produced for the year ended 28 March 2009
- 4 3 The balance sheets as at 28 February 2008 and 31 May 2010 are detailed below

	Mgmt 31/05/10 £'000	Audited 28/02/08 £'000
<b>Fixed Assets</b>		
Tangible Assets	153	423
<b>Current Assets</b>		
Stocks	37	51
Debtors and prepayments	329	1,407
Cash	-	107
	366	1,565
Creditors: Amounts Falling due within one year	(5,662)	(705)
Net Current Assets/(Liabilities)	(5,296)	860
Creditors: Amounts falling due after more than year	(4,010)	(4,379)
	(9,306)	(3,519)
<b>Total Assets Less Current Liabilities</b>	<b>(9,306)</b>	<b>(3,096)</b>

**CFG Leisure 1 Limited and CFG Leisure 2 Limited – Both In Administration**

**Represented by**

Called up share capital

Profit and loss account

**Shareholders' Funds**

(9,306)

(9,306)

(3,096)

(3,096)

- 4 1 CFG 2's trading results for the period 17 November 2006 to 28 February 2008 and management accounts at 31 May 2010 are detailed below

	<b>Management Year ended 28/02/08 £'000</b>	<b>Audited Year ended 8/02/08 £'000</b>
Turnover	1,069	23,074
Gross Profit	845	18,587
Gross Profit %	79	81
Administrative expenses	(766)	(27,321)
Operating Profit/(Loss)	79	(8,693)
Interest and charges	-	(681)
Profit/(Loss) before tax	79	(9,374)
Taxation	-	(348)
Profit for the year	79	(9,026)
Dividends	-	-
Retained profit	79	(9,026)

- 4 2 No audited accounts have been produced for the year ended 28 March 2009

- 4 3 The balance sheets as at 28 February 2008 and 31 May 2010 are detailed below

	<b>Mgmt 1/05/10 £'000</b>	<b>Audited 28/02/08 £'000</b>
<b>Fixed Assets</b>		
Tangible Assets	530	3,164
<b>Current Assets</b>		
Stocks	42	137
Debtors and prepayments	569	938
Intercompany loan	5,768	202
	6,379	1,277
Creditors Amounts Falling due within one year	(1,226)	(4,799)
Net Current Assets/(Liabilities)	5,153	(3,522)
Creditors Amounts falling due after more than year	0	(8,668)
	5,153	(12,190)
<b>Total Assets Less Current Liabilities</b>	<b>5,683</b>	<b>(9,026)</b>
<b>Represented by</b>		
Called up share capital	-	-
Profit and loss account	5,683	(9,026)
<b>Shareholders' Funds</b>	<b>5,683</b>	<b>(9,026)</b>

**4.4 Statement of Affairs**

The former director is required to lodge a statement of affairs as at 1 July 2010 for each Company which has to be filed with the Registrar of Companies and we are currently in correspondence with him regarding this. In the meantime, estimates of the Companies' financial position as at the date of our appointment are enclosed at Appendices B(i) and (ii), together with lists of creditors including their names, addresses and details of their debts, including any security held.

Please note that no provisions have been made for costs and expenses of realisation, costs of the Administrations and any corporation tax which may be payable. The following comments are considered to be relevant and should be borne in mind when reading the figures.

- 4.5 The Companies had ceased to trade and both the director and financial accountant had resigned prior to our appointment. It has not therefore been possible to obtain accurate financial information and many, if not all, of the figures are "best estimates" of the position of the Companies.

**4.6 Assets**

**4.6.1 Leasehold Property**

The principle asset of CFG2 is its interests in a leasehold property in Paisley. The property is presently being marketed. There may be potential recoveries in respect of certain leases that were transferred subsequent to the implementation of the CVAs. The remaining leases held by the Companies are understood to have expired and no recoveries are anticipated in respect of these.

**4.6.2 Stock**

The Companies stock figures include wet stock that will have been opened and is unlikely to have a significant realisable value.

**4.7 Secured Creditor**

Sofiya hold debentures dated 3 April 2009 incorporating fixed and floating charges over all assets of both Companies in respect of funding provided to Helena 28 Limited, a connected company, which was used to inject working capital into the Companies. At the date of appointment Sofiya was owed £220,156 under its security.

**4.8 Preferential Claims**

The only claims which are preferential are those of employees in respect of unpaid wages and accrued holiday pay. Neither of the Companies had any employees, and no preferential claims are anticipated.

**4.9 Prescribed Part**

The Act provides that, where a company has created a floating charge after 15 September 2003, we must make a prescribed part of the company's net property available to the unsecured creditors.

Appendix B shows that CFG1's net property, before costs, will be £nil with no prescribed part of assets available for the satisfaction of unsecured debts. CFG2's net property, before costs, will be £nil with no prescribed part of assets available for the satisfaction of unsecured debts.

The final quantum of either prescribed part will however depend on the level of costs and preferential claims. However, if either Company's net property is less than the prescribed minimum, currently £10,000, and we think that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits the provision will not apply. The Act further provides that, notwithstanding that either Company's net property is more than the prescribed minimum, we may also apply for an order that this provision shall not apply, again on the ground that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. In this case we do not propose to make such an application.

#### **4.10 Unsecured Claims**

All unsecured non-preferential claims will be subject to agreement by a subsequently appointed Liquidator in due course, should liquidation be the appropriate exit route from Administration. It is not anticipated that funds will be available to enable any dividend to be paid to the unsecured creditors of either Company.

#### **4.11 Receipts and Payments**

Summaries of our receipts and payments accounts for the period of Administration to date are attached at Appendices C(i) and (ii).

### **5 EVENTS FOLLOWING THE JOINT ADMINISTRATORS' APPOINTMENT**

5.1.1 The Companies had ceased to trade prior to our appointment.

5.1.2 Following our appointment, we engaged independent agents, AgentCite Limited ("AgentCite") to provide a valuation of the Companies' leasehold premises in order to ascertain whether these may be assigned for value.

5.1.3 Prior to the date of Administration, HLL Group Limited ("HLL") had been trading from the premises known as Viennas at 20 New Street, Paisley PA1 1YB. In order to preserve any value in this lease our solicitors, MacRoberts LLP, have drafted a licence to allow HLL to continue to trade from these premises in the short term.

5.1.4 AgentCite are marketing this lease and once a viable offer has been received it is anticipated that the leasehold interest can be assigned for value allowing any net realisations to be passed to the secured creditor Sofiya.

#### **5.2 Investigations**

Our investigations into the affairs of the Companies and the events leading up to our appointment are still at an early stage and we will report our conclusions to the appropriate bodies in due course. In the meantime, if creditors have any specific matters regarding the running of the Companies and/or the conduct of their directors that they feel warrant investigation, please provide full details in writing.

### **6 ACHIEVING THE PURPOSE OF ADMINISTRATION**

6.1 For each Company the Joint Administrators must perform their functions with the objective of

(a) Rescuing the Company as a going concern, or (if this cannot be achieved)

- (b) 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 (if (a) and (b) cannot be achieved)
  - (c) Realising property in order to make a distribution to one or more secured or preferential creditors
- 6 2 We are obliged to perform our functions in the interests of the Companies' creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, we have a duty not to unnecessarily harm the interests of the creditors as a whole
- 6 3 In our opinion it was not possible to achieve the first objective. The Companies had ceased to trade prior to the date of Administration and, quite apart from the contractual problems of reengaging staff etc a significant injection of capital would have been required to recommence trading. The directors and shareholders were unable to provide further funding and no third party funder could be identified.
- 6 4 In our opinion it will not be possible to achieve the second objective, since it is unlikely that funds will be available to enable the payment of a dividend to unsecured creditors.
- 6 5 The third objective, namely realising property in order to make a distribution to one or more secured or preferential creditors is likely to be achieved, as it is anticipated that Sofiya will receive a distribution from both Companies following the realisation of fixed charge assets,

## 7 JOINT ADMINISTRATORS' PROPOSALS AND EXIT ROUTE

- 7 1 The Administrators' Proposals for achieving the purpose of the Administrations are set out in Appendices A(i) and (ii). These will be deemed to have been approved unless creditors whose debts amount to at least 10% of the total debts of the Companies request a meeting to consider them by 16 September 2010. Creditors wishing to request a meeting should complete and return form 2 21B for the relevant Company attached as Appendices F(i) and (ii) together with details of your claim, **less any payments that have been made after the date of Administration in respect of your claim and any adjustment by way of set-off**, by this date. As mentioned in paragraph 1 3 above, security must be given for the expenses of summoning and holding the meeting. If no meeting is requisitioned or requests to the required value are not received a report will be sent to all creditors informing them of that fact.
- 7 2 If there are no funds available for distribution to unsecured creditors at the completion of the Administrations, which we expect to be the case, or if they are distributed during the course of the Administrations, the Proposals provide for us to move the Companies from Administration to Dissolution.
- 7 3 In the unlikely event that funds do become available for distribution to unsecured creditors at the completion of either Administration, the Proposals provide for us to place that Company into Creditors' Voluntary Liquidation ("CVL") and appoint myself as Liquidator. Creditors may nominate a different person to be Liquidator provided that the nomination is made after receipt of the Proposals and before they are approved.
- 7 4 Once approved, the affairs of the Companies will be managed in accordance with the Proposals and financed out of asset realisations.

## 8 EXTENSION OF ADMINISTRATION

- 8.1 The appointment of the Joint Administrators ceases to have effect at the end of the period of one year beginning with the date on which it takes effect
- 8.2 It may be desirable to extend the period of either Administration for a specified period not exceeding six months. If this is appropriate we will require the consent of
- each secured creditor of that Company and, if we think that a distribution may be made to preferential creditors,
  - preferential creditors whose debts amount to more than 50% of the preferential debts of that Company, disregarding debts of any creditor who does not respond to an invitation to give or withhold consent for such extension

## 9 PRE-ADMINISTRATION COSTS

- 9.1 Pre-administration costs are defined as

- Fees charged and
- Expenses incurred

by the Joint Administrators, or another person qualified to act as an insolvency practitioner before the Companies entered Administration but with a view to their doing so. "Unpaid pre-administration costs" are pre-administration costs which had not been paid when the Companies entered Administration.

- 9.2 Leonard Curtis pre-administration costs are calculated by reference to the time spent dealing with matters pre-appointment ("time costs basis"). Matters dealt with by Leonard Curtis included discussions with the secured creditor in order to ascertain the suitability of Administration for each Company, and financial assessment of the Companies. This allowed us to determine that the third statutory objective of an Administration would be satisfied, namely realising property in order to make a distribution to one or more secured or preferential creditors.
- 9.3 Pre-appointment fees charged and expenses incurred by the Joint Administrators in the period prior to their appointment are summarised below

### CFG1

Charged by	Services provided	Total charged £	Amount paid £	Identity of person making payment	Amount unpaid £
Leonard Curtis	Financial Assessment and discussions with secured creditor	£1,200	Nil	N/A	£1,200

CFG2

Charged by	Services provided	Total charged £	Amount paid £	Identity of person making payment	Amount unpaid £
Leonard Curtis	Financial Assessment and discussions with secured creditor	£950	Nil	N/A	£950

9.5 The determination of whether and to what extent unpaid pre-administration costs (as set out above) are approved for payment as an expense of either Administration is subject to approval which is separate to the approval of the Administrators' Proposals. This approval will be sought from

- (a) each secured creditor of each Company and, if we have made or intend to make a distribution to preferential creditors,
- (b) preferential creditors whose debts amount to more than 50% of the preferential debts of each Company, disregarding debts of any creditors who do not respond to an invitation to give or withhold approval

## 10 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

10.1 Paragraph 3 of Appendix A states that "The Administrators think that the Companies will have insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of Section 176(A)(2)(a) of the Insolvency Act 1986 (prescribed part,) if any"

10.2 In view of this and unless creditors establish a creditors' committee, or if the committee does not make the requisite determination, our remuneration will be fixed by the approval of

- (b) each secured creditor of the Companies and, if we have made or intend to make a distribution to preferential creditors,
- (b) preferential creditors whose debts amount to more than 50% of the preferential debts of the Companies, disregarding debts of any creditors who do not respond to an invitation to give or withhold approval

10.3 Our remuneration may be fixed either as a percentage of the value of the property with which we have to deal, as a set amount or by reference to the time spent. In this case we will be requesting the above creditors to agree to fix our remuneration by reference to the time spent

10.4 Enclosed at Appendices D(i) and (ii) are summaries of our time costs to date for CFG1 and CFG2 respectively. The summary for CFG1 shows that time costs of £15,032.50 have been incurred which represents 98.5 hours at a rate of £152.61 per hour. The summary for CFG2 shows that time costs of £15,195 have been incurred which represents 100.7 hours at a rate of £150.89 per hour. Details of our company's charge out rates and policy regarding recharge of disbursements, staff allocation, support staff and the use of subcontractors are attached at Appendix E. Further details of our company's charge out rates and policy regarding staff allocation, support staff and the use of subcontractors may be found in "A Creditors Guide to Administrators' Fees". This is available from our office free of charge or may be downloaded from [www.leonardcurtis.co.uk/downloads](http://www.leonardcurtis.co.uk/downloads)

10 5 We also require approval of the basis upon which we recharge internal disbursements that include an element of allocated costs. These are known as Category 2 costs and the basis of the calculation of their recharge is also attached at Appendix E. Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as "category 1 disbursement". Category 1 disbursements will generally comprise items such as identifiable telephone calls, postage, case advertising, invoiced travel and properly reimbursed expenses, including car mileage at 40p a mile, incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and storage.

10 6 In normal circumstances we would seek a resolution from creditors that the basis of recharge of these disbursement be agreed by creditors in accordance with the scale of charges set out in Appendix E although given my comments in paragraph 10 1 a request for a resolution in these terms will be put to those parties mentioned in paragraph 10 2 above.

10 7 We have used the following professional advisors, including subcontractors:

#### CFG1

Name of Professional Advisor	Service Provided	Basis of Fees
Francis Wilks & Jones LLP	Legal Advice	Time Costs
AgentCite Limited	Asset Valuation	Percentage of Realisations

#### CFG2

Name of Professional Advisor	Service Provided	Basis of Fees
Francis Wilks & Jones LLP	Legal Advice	Time Costs
MacRoberts	Legal Advice	Time Costs
AgentCite Limited	Asset Valuation	Percentage of Realisations

10 8 Details of our company's policy regarding the choice of professionals, including subcontractors, and the basis for their fees are included in Appendix E.

10 9 If either Company move from Administration to CVL, the Liquidators' remuneration and the recharge of Category 2 costs will be payable on the same basis as fixed in the Administration.

### 11 ANTICIPATED OUTCOME AND RELEASE OF JOINT ADMINISTRATORS FROM LIABILITY

11 1 If there are no funds available for distribution to unsecured creditors at the completion of the Administrations, which we expect to be the case, or if they are distributed during the course of the Administrations, we propose to move the Companies from Administration to Dissolution as soon as all outstanding matters in the Administrations have been attended to.

11 2 Once the Companies have been moved into Dissolution, the Administrations and the appointment of the Joint Administrators will automatically cease. It will however also be necessary for the creditors to fix the date upon which they are discharged from liability in respect of any action during the Administrations. In normal circumstances we would seek a resolution from creditors that they be discharged from such liability immediately upon their appointment ceasing to have effect and a request for a resolution in these terms will be put to those parties mentioned in paragraph 10 2 above.

11 3 In the unlikely event that funds do become available for distribution to unsecured creditors at the completion of either Administrations, the Company concerned will be moved into CVL to enable them to

be distributed In accordance with the Proposals attached at Appendix A, I will become Liquidator of that Company

## 12 CONCLUSION

- 12.1 It is important that you give careful attention to this report and its Appendices
- 12.2 If you wish to avail yourself of the opportunity to request that a meeting of creditors be convened for either or both Companies please ensure that you complete the relevant form 2.21B attached at Appendix F(i) and Appendix F(ii) and lodge it at our office, together with details of your claim as at the date on which the Company entered Administration, **less any payments that have been made after the date of Administration in respect of your claim and any adjustment by way of set-off**, no later than **16 September 2010**. Security must be given for the expenses of summoning and holding the meeting
- 12.3 Should you have any queries or require any further clarification please contact our office, **in writing**. Electronic communications should also include a full postal address

for and on behalf of  
CFG LEISURE 1 LIMITED  
CFG LEISURE 2 LIMITED



**N A BENNETT**  
Joint Administrator

Licensed in the UK by Insolvency Practitioners Association

The affairs, business and property of the Companies are being managed by the Joint Administrators, who act as agents of the Companies without personal liability

CFG LEISURE 1 LIMITED

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS

It is proposed that

- 1 The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration
- 2 In the event that there are no monies remaining to be distributed to creditors the Company be dissolved as soon as all matters relating to the Administration have been completed
- 3 If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation with a view to distributing the available funds. It is further proposed that N A Bennett be appointed Liquidator of the Company. The Joint Administrators think that the Company will have insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of Section 176(A)(2)(a) of the Insolvency Act 1986 (prescribed part), if any
- 4 The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company

**CFG LEISURE 2 LIMITED**

**JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS**

It is proposed that

- 1 The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration
- 2 In the event that there are no monies remaining to be distributed to creditors the Company be dissolved as soon as all matters relating to the Administration have been completed
- 3 If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation with a view to distributing the available funds. It is further proposed that N A Bennett be appointed Liquidator of the Company. The Joint Administrators think that the Company will have insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of Section 176(A)(2)(a) of the Insolvency Act 1986 (prescribed part), if any
- 4 The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company

APPENDIX B(i)

Estimated Financial Position for CFG Leisure 1 Limited as at 1 July 2010

**Estimated Financial Position as at 1 July 2010**

### A – Summary of Assets

Assets	Book Value £	Estimated to Realise £
<b>Assets subject to fixed charge</b>		
Tangible assets	153,631	uncertain
Less Owed to Sofiya	(220,156)	(220,156)
	0	(220,156)
<b>Assets subject to floating charge</b>		
Stock	37,698	uncertain
Trade Debtors	13,115	uncertain
Pre-payments	316,750	uncertain
<b>Uncharged Assets</b>		
None		
<b>Estimated total assets available for preferential creditors</b>	367,563	uncertain

## Estimated Financial Position as at 1 July 2010 (Cont )

## A1 – Summary of Liabilities

	Book Value	Estimated to Realise £ uncertain
Estimated total assets available for preferential creditors (carried from page A)		
<b>Liabilities</b>		
Preferential creditors - Employee Wages and Holiday Pay (estimate)	£	0
Estimated surplus/(deficiency) as regards preferential creditors	£	0
Estimated prescribed part of net property where applicable (to carry forward)	£	0
Estimated total assets available for floating charge holders	£	0
Debts secured by floating charges	£ -	220,156
Estimated surplus/(shortfall) of assets after floating charges	£	(220,156)
Estimated prescribed part of net property where applicable (b/down)	£	0
Total assets available to unsecured creditors	£	(220,156)
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)		
Trade Creditors	4,723,610	
Accruals	205,311	
Intercompany	4,010,760	
Compromised Creditors	493,478	
HM Revenue & Customs	239,083	
		9,672,242
Estimated deficiency as regards non-preferential creditors	£	(9,892,398)
Floating Charge Shortfall	£	-
Estimated total deficiency as regards creditors	£	(9,892,398)
Issued and called up capital	£	1
Estimated total deficiency as regards members	£	(9,892,399)

Name of Creditor or Claimant	Address		Amount of Debt (£)	Details of Security Held by Creditor	Date Security Given	Value of Security
The 3D Entertainment Group Limited	c/o Vexus Networks Limited Deltic Avenue Rooksley London	Deltic Avenue Rooksley London	31 977 Nil 4 093 721 Nil	Milton Keynes Bucks		
The 3D Entertainment Group (CRC) Limited	Euro House 1394 High Road Business Rates Team 3rd Floor The Guildhall Aberdeen City Council Aberdeen	1394 High Road Business Rates Team 3rd Floor The Guildhall Riverside & Benefits Service PO Box 9000 Finance Department CHARING CROSS WELWYN GARDEN CITY HERTFORD PUDSEY WOLVERHAMPTON CAERPHILLY THE LACE MARKET 37 STONEY STREET SHERBOURNE HOUSE SEVERN TRENT WATER SPEAKMANS LIMITED	21 765 Nil 29 548 Nil 10 883 Nil 19 872 Nil 15 417 Nil 190 Nil 1 773 Nil 2 608 Nil 880 Nil 1 498 Nil 2 446 Nil 2 222 Nil 47 Nil 206 Nil	Aberdeen Conference Way Bournemouth Knoll Street G3 7PU AL7 1HG HERTFORDSHIRE SG13 8NP LS28 9LD WV1 1ES CF83 1XH NOTTINGHAM FINHAM BLACKPOOL		
			4,723,610			
Scot's a Limited	35 Davies Street London	London	220,156			
			220,156			
			750,000			

CFG Leisure 1 Limited  
Company Shareholders

Name of Shareholder	Address (with postcode)	No of shares held	Nominal Value	Details of Shares held
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HHL Group Limited

c/o EMW Picton Howell LLP, Seebeck House, 1 Seebeck Place, Knowhill, Milton Keynes MK5 8FR

1

1

Ordinary

1	1
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**Estimated Financial Position for CFG Leisure 2 Limited as at 1 July 2010**

## A – Summary of Assets

## Assets

	Book Value £	Estimated to Realise £
<b>Assets subject to fixed charge</b>		
Tangible Assets	530,102	125,000
Less Owed to Sofiya	(220,156)	(220,156)
	309,946	(95,156)
<b>Assets subject to floating charge</b>		
Stock	43,032	uncertain
Other Debtors	145,249	uncertain
Inter-company loan	5,768,570	-
Pre-payments	424,225	-
<b>Uncharged Assets</b>		
None		
<b>Estimated total assets available for preferential creditors</b>	6,691,022	uncertain

## Estimated Financial Position as at 1 July 2010 (cont/d)

## A1 – Summary of Liabilities

	Book Value	Estimated to Realise £ uncertain
<b>Estimated total assets available for preferential creditors (carried from page A)</b>		
<b>Liabilities</b>		
Preferential creditors - Employee Wages and Holiday Pay (estimate)	£	-
<b>Estimated surplus/(deficiency) as regards preferential creditors</b>	£	0
Estimated prescribed part of net property where applicable (to carry forward)	£	0
<b>Estimated total assets available for floating charge holders</b>	£	0
Debts secured by floating charges	£	(655,684)
<b>Estimated surplus/(shortfall) of assets after floating charges</b>	£	(655,684)
Estimated prescribed part of net property where applicable (b/down)	£	0
<b>Total assets available to unsecured creditors</b>	£	(655,684)
<b>Unsecured non-preferential claims (excluding any shortfall to floating charge holders)</b>		
Trade Creditors		
Accruals	308,538	
Compromised Creditors	525,809	
HM Revenue & Customs	391,987	
		1,226,334
<b>Estimated deficiency as regards non-preferential creditors</b>	£	(1,882,018)
Floating Charge Shortfall	£	-
<b>Estimated total deficiency as regards creditors</b>	£	(1,882,018)
Issued and called up capital	£	1
<b>Estimated total deficiency as regards members</b>	£	(1 882 019)

CFG Leisure 2 Limited  
Company Creditors

Name of Creditor or Claimant	Address	Amount of Debt (£)	Details of Security Given By Creditor	Date Security Given	Value of Security
UTV Radio GB Ltd	Via Tower FM	1 150	WA3 6FZ	Nil	
The 3D Entertainment Group Limited	c/o Ye-xus Networks Limited	19 738	MK13 8LW	Nil	
The 3D Entertainment Group (CRC) Limited	Delic Avenue	5 274 850	MK13 8LW	Nil	
The City of Edinburgh Council	A/C 3216551009	10 725	EH11 3YJ	Nil	
Forest Heath District Council	A/C 6082536	8 827	IP24 1BT	Nil	
Bolton Council	A/C 50417948	16 562	BL1 1RX	Nil	
Nottingham City Council	A/C 6562932 & 36001033	17 412	NG1 4XX	Nil	
Reading Borough Council	A/C 51772873	1 397	RG1 7TD	Nil	
Carlisle City Council	A/C 108077944	11 306	CA3 8QG	Nil	
		<u>5,361,967</u>			
Solva Limited	35 Daves Street	220 156	W1K 4LS	Fixed and floating charges	03/04/2009 750 000
HM Revenue & Customs	Debt Management and Insolvency	<u>391,987</u>	BN12 4SE		
			Barlington Road	Worthing	
			Durrington Bridge House		
			Voluntary Arrangement Service		
			London		
			W1K 4LS		
			Barlington Road	Worthing	
			BN12 4SE		

**CFG Leisure 2 Limited  
Company Shareholders**

Name of Shareholder	Address (with postcode)	No of shares held	Nominal Value	Details of Shares held

HHL Group Limited

c/o EMW Paton Howell LLP, Seebeck House, 1 Seebeck Place, Knowthill, Milton Keynes MK5 8FR

Ordinary

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## APPENDIX C (i)

**Summary of Joint Administrators' Account of Receipts and Payments  
for the period 1 July 2010 to 25 August 2010**

	<b>Estimated Financial Position</b>	<b>Fixed</b>	<b>Floating</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>RECEIPTS</b>				
Tangible Assets	uncertain	-	-	-
Stock	uncertain	-	-	-
Trade Debtors	uncertain	-	-	-
Pre-payments	uncertain	-	-	-
	<u>uncertain</u>	<u>-</u>	<u>-</u>	<u>-</u>
Rates Refund		-	22,092 96	22,092 96
Deposit Interest Gross		-	0 86	0 86
		<u>-</u>	<u>22,093 82</u>	<u>22,093 82</u>
<b>PAYMENTS</b>				
Postage		-	99 63	99 63
IT Licence Fee		-	75 00	75 00
Bordereau Fee		-	25 00	25 00
Sundry Expenses		-	3 95	3 95
		<u>-</u>	<u>203 58</u>	<u>203 58</u>
Balance in Hand		-	21,890 24	21,890 24
		<u>-</u>	<u>21,890 24</u>	<u>21,890 24</u>

## APPENDIX C (II)

**Summary of Joint Administrators' Account of Receipts and Payments  
for the period 1 July 2010 to 25 August 2010**

	<b>Estimated Financial Position</b>	<b>Fixed</b>	<b>Floating</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>RECEIPTS</b>				
Tangible Assets	uncertain	-	-	-
Leasehold Property	125,000	-	-	-
Stock	uncertain	-	-	-
Debtors	uncertain	-	-	-
Inter-company loan	-	-	-	-
Pre-payments	-	-	-	-
	<u>uncertain</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>PAYMENTS</b>				
		<u>-</u>	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>	<u>-</u>
Balance in Hand		<u>-</u>	<u>-</u>	<u>-</u>

## Summary of Joint Administrators' Time Costs from 1 July 2010 to 25 August 2010

	Director		Manager 1		Administrator		Support		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review	10	450 00	-	-	100	1,000 00	-	-	110	1,450 00	131 82
Receipts & Payments	-	-	-	-	30	300 00	-	-	30	300 00	100 00
Insurance	-	-	-	-	103	1,030 00	-	-	103	1,030 00	100 00
Assets	-	-	76	1,900 00	50	500 00	-	-	126	2,400 00	190 48
Liabilities	10	450 00	63	1,575 00	196	1,960 00	1	7 50	270	3,992 50	147 87
Landlords	-	-	20	500 00	75	750 00	-	-	95	1,250 00	131 58
Debenture Holder	10	450 00	20	500 00	20	200 00	-	-	50	1,150 00	230 00
General Administration	-	-	30	750 00	35	350 00	-	-	65	1,100 00	169 23
Appointment	20	900 00	20	500 00	96	960 00	-	-	136	2,360 00	173 53
Total	50	2,250 00	229	5,725 00	705	7,050 00	1	7 50	985	15,032 50	
Average Hourly Rate (£)	<u>450 00</u>		<u>250 00</u>		<u>100 00</u>		<u>75 00</u>		<u>152 61</u>		

All Units are 6 minutes

## Summary of Joint Administrators' Time Costs from 1 July 2010 to 25 August 2010

	Director		Manager		Administrator		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review	10	450 00	30	750 00	100	1,000 00	140	2,200	157 14
Receipts & Payments	-	-	10	250 00	25	250 00	35	500	142 86
Insurance	-	-	20	500 00	123	1,230 00	143	1,730	120 98
Assets	-	-	20	500 00	50	500 00	70	1,000	142 86
Liabilities	10	450 00	25	625 00	184	1,840 00	219	2,915	133 11
Landlords	-	-	35	875 00	105	1,050 00	140	1,925	137 50
Debenture Holder	10	450 00	30	750 00	15	150 00	55	1,350	245 45
General Administration	-	-	35	875 00	45	450 00	80	1,325	165 63
Appointment	20	900 00	20	500 00	85	850 00	125	2,250	180 00

Total	50	2,250 00	225	5,625 00	732	7,320 00	1,007	15,195 00
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Average Hourly Rate (£)	<u>450 00</u>	<u>250 00</u>	<u>100 00</u>	<u>150 89</u>
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All Units are 6 minutes

APPENDIX E

**CHARGE OUT RATES AND POLICY REGARDING STAFF ALLOCATION, SUPPORT STAFF, THE USE OF SUBCONTRACTORS AND THE RECHARGE OF DISBURSEMENTS**

The following information relating to the policy of Leonard Curtis is considered to be relevant

**Charge out Rates**

With effect from 1 January 2005 the following hourly charge out rates apply to all assignments undertaken by Leonard Curtis

Director	£450
Principal Manager	£350
Senior Manager	£325
Manager 1	£250
Manager 2	£200
Manager 3	£175
Senior Administrator	£150
Administrator	£100
Support	£75

**Staff Allocation, Support Staff and the Use of Subcontractors**

We take an objective and practical approach to each assignment which includes active director involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case. Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is charged. Details of any subcontractor(s) used are given in the attached report.

**Professional Advisors**

Details of any professional advisor(s) used are given in the attached report. Unless otherwise indicated the fee arrangement for each will be based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements.

The choice of professional advisors will be based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

**Disbursements**

Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as a "category 1 disbursement". Category 1 disbursements will generally comprise supplies of incidental services specifically identifiable to the case, typically for items such as identifiable telephone calls, postage, case advertising, invoiced travel and properly reimbursed expenses, including car mileage at 40p a mile, incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and document storage.

Where we propose to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, documents storage or communication facilities provided by us) they must be disclosed and be authorised by those responsible for approving the administrators' remuneration. Such expenditure is referred to as a "category 2 disbursement". The following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision:

Internal photocopying	10p per copy
General stationery, postage, telephone etc	£100 per 100 creditors/ members or part thereof
Room Hire	£100
Storage of office files (6 years)	£88.75 per box

## Creditor's request for a meeting

Name of Company

CFG LEISURE 1 LIMITED

Company number

06002186

In the  
High Court of Justice

[full name of court]

Court case number  
5392 of 2010

(a) Insert full name and  
address of the creditor making  
the request

I (a)

(b) Insert full name and  
address of registered office of  
the company

request a meeting of the creditors of (b) CFG LEISURE 1 LIMITED,

One Great Cumberland Place, London W1H 7LW

(c) Insert amount of claim

my claim in the administration is (c)

(d) Insert full name(s) and  
address(es) of creditors  
concurring with the request (if  
any) and their claims in the  
administration if the  
requesting creditor's claim is  
below the required 10%

(d)

concur with the above request, and I attach copies of their written confirmation of concurrence

(e) Insert details of the  
purpose of the meeting

The purpose of the meeting is (e)

Signed

Dated

Rule 2.37

Form 2.21B

## Creditor's request for a meeting

Name of Company CFG LEISURE 2 LIMITED	Company number 06002067
In the High Court of Justice [full name of court]	Court case number 5390/2010

(a) Insert full name and address of the creditor making the request

I (a) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

(b) Insert full name and address of registered office of the company

request a meeting of the creditors of (b) CFG LEISURE 2 LIMITED,  
One Great Cumberland Place, London W1H 7LW

(c) Insert amount of claim

my claim in the administration is (c) \_\_\_\_\_

(d) Insert full name(s) and address(es) of creditors concurring with the request (if any) and their claims in the administration if the requesting creditor's claim is below the required 10%

(d) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

concur with the above request, and I attach copies of their written confirmation of concurrence

(e) Insert details of the purpose of the meeting

The purpose of the meeting is (e) \_\_\_\_\_  
 \_\_\_\_\_

Signed \_\_\_\_\_

Dated \_\_\_\_\_